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Directorate D – Government finance statistics (GFS)

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FINAL FINDINGS

EDP Dialogue Visit to Ireland

11 – 13 May 2022

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EXECUTIVE SUMMARY

Eurostat undertook an EDP dialogue visit in Ireland on 11-13 May 2022.

The main aims of this dialogue visit were the following: understanding the difficulties the Central Statistical Office (CSO) is facing in compiling EDP Table 3 and the related tables on interests and on derivatives; reviewing the statistical treatment of the Covid-19 related tax deferrals; reviewing the accrual recording of taxes and social contributions, and the compilation of the Supplementary table on the government support to financial institutions; discussing the current sector classification of the Irish universities, and the possible implications of the new Higher Education Bill.

Eurostat expressed concerns about the shortage of human resources dedicated to GFS/EDP issues within the CSO, which was hampering new developments.

Eurostat and the Irish Statistical Authorities discussed the existing practice of interpreting and applying the rules on confidentiality, and the implications this has on the publication of Eurostat's ex-ante/ex post advice.

Eurostat welcomed the progress of the Company Accounts Input System and encouraged further integration of the various data sources used in GFS compilation. It is expected that improvement and integration of source data will help in addressing the issue of statistical discrepancies.

Eurostat expressed concerns that an important data source related to the non-profit sector, is no longer available for GFS/EDP compilation.

Eurostat and the Irish Statistical Authorities discussed extensively the problems encountered in reporting the EDP table 3B, mainly related to the compilation methods used to fill the specific lines related to valuation adjustments and interest. Eurostat was under the impression that the compilation issues related to these items might also affect the ESA Table 27. In this respect the Irish statistical authorities were asked to review the recording of some of the large transactions related to the Irish financial crisis. Eurostat thought that the recording of the buy back of the Floating Rate Notes, of the early repayment of the hedged debt of the EU-IMF bailout program and of the Euro Commercial Paper should be thoroughly investigated, and possibly corrected.

In Ireland, Covid-19 related tax deferrals occurred as part of the so called "Warehousing of tax debt". At the moment of the SDV, CSO included a prudent proportion (47%), of the total taxes warehoused in 2020 and 2021 government revenue figures. Eurostat encouraged the Irish Statistical Authorities to review the estimation of the amounts of taxes accrued and of the amounts lost, using the recently available information.

In Ireland, public universities are classified outside the government sector. Eurostat and the Irish Statistical Authorities discussed extensively the sector classification of the universities and the possible changes in this classification that might derive from the new Higher Education Authority Bill. Eurostat enquired about the funding framework for the universities, which even though not affected by the new legislation, is a fundamental element to consider, when deciding on the sector classification of the Irish universities.

FINAL FINDINGS

Introduction

In accordance with Council Regulation (EC) No 479/2009 of 25 May 2009 (the EDP Regulation) on the application of the Protocol on the excessive deficit procedure annexed to the Treaty establishing the European Community, Eurostat carried out an EDP dialogue visit to Ireland on 11-13 May 2022.

The delegation of Eurostat was headed by Mr Luca Ascoli, *Director of Eurostat Directorate D: Government Finance Statistics (GFS)*. The representatives of the Directorate General for Economic and Financial Affairs (DG ECFIN) and European Central Bank (ECB) also participated in the meeting as observers. The representative of DG ECFIN and some of the staff of the Irish Statistical Office participated remotely.

The Member State's authorities were represented by the Central Statistics Office (CSO), the Central Bank of Ireland (CBI), and the Department of Finance. In addition, representatives from the following entities participated in the discussion for some specific points in the agenda: the Department of Further & Higher Education, Research, Innovation and Science, the Department of Housing, Local Government and Heritage, the National Treasury Management Agency (NTMA), the National Development Finance Agency, and Transport Infrastructure Ireland.

The previous Eurostat EDP dialogue visit to Ireland took place on 26-27 February 2019.

Eurostat carried out this EDP dialogue visit 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 Irish EDP and Government finance statistics (GFS) data.

Regarding procedural arrangements, the *Main conclusions and action points* would be sent to Ireland for review. Then the *Provisional Findings* will be sent to Ireland for review. After this, in accordance with Article 13 of the EDP Regulation, the *Final Findings* will be sent to Ireland and to the Economic and Financial Committee (EFC) and published on the website of Eurostat.

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

1. STATISTICAL CAPACITY ISSUES

1.1 Review of the Institutional responsibilities

Introduction

In the Irish statistical office (CSO) two divisions oversee EDP and GFS issues: the Government Accounts Compilation and Outputs division (GACO) and the Government Accounts Classifications (GAC) division. Two CSO statisticians are seconded to the Department of Finance and are working on GFS/EDP matters. The GACO division, in addition to GFS/EDP outputs, is compiling the European System of Integrated Social Protection Statistics (ESSPROS) and the System of Health Accounts.

Discussion and methodological analysis

The two CSO divisions in charge of government accounts have limited resources with some current vacancies and likely more on the horizon. The Irish statistical authorities noted that the EDP/GFS area is very dynamic and the recently occurring new methodological

developments and data requests arising from the newly emerging circumstances, e.g., Covid reporting template and data on RRF associated flows, present a challenge. There is a need to closely follow the MGDD updates, consultations on new guidance notes, while also the active participation in the relevant working groups and meetings take up a significant amount of the time of the limited staff. The CSO have little room for manoeuvre to re-direct human resources towards priority issues and on the developmental work that CSO would like to implement.

Findings and conclusions

Action point 1: The CSO Government accounts' divisions seem to Eurostat understaffed, with the existing staff stretched to its limits. This shortage of human resources hampers the possibility of progressing on new developments and limits their capacity of taking full stock of the findings of this EDP dialogue visit. There is an urgent need to reinforce the two Government accounts' divisions with additional staff. The Irish Statistical Authorities will prepare a note on their plans to deal with this human resource shortage.

Deadline: December 2022¹

1.1.1 CSO issues with confidentiality

Introduction

The issues encountered by Eurostat in the past when publishing the advice given to the Irish statistical authorities were discussed under this agenda point.

Discussion and methodological analysis

Eurostat is committed to publish on its website all the ex-ante and ex-post bilateral advice given to the Member States. In this context, Eurostat recalled the existing Irish constraints limiting the publication of the ex-ante/ex-post advice letters. Whenever Eurostat delivers to CSO an advice on a specific subject, before the publication of the advice, the CSO requires editing of the document to remove any parts that CSO considers confidential as per its national legislation. In 2021, Eurostat's advice on "Long term social housing" was published with all the confidential text redacted. Similarly, at the beginning of 2022, when the advice on an Energy Performance Contract was ready to be published, the CSO required the removal/redaction of the names of the companies involved (including the names of the Partner and of the Authority) and of all the references to specific contractual provisions.

The CSO clarified that the Statistics Act of 1993 protects the confidentiality of all data received by the CSO for statistical purposes. The Statistics Act of 1993 requires redaction of any identifiable/commercially sensitive information in published classification decisions.

Eurostat noted that its bilateral advice provided in the context of the EDP statistics usually relate to cases of public units and/or involve public funding, where transparency can be considered as a service to the citizens. Often some of the parties involved publish on their website information on the projects, their financing or arising disputes. While few contractual details (especially in case of *ex-ante* advice) might be considered as commercially sensitive information not to be disclosed (at least temporarily), Eurostat believes that it is difficult to justify the suppression of the name of the Authority involved or of textual parts necessary to understand the conclusions reached in an ex-post advice.

Eurostat also considers that having more information included in the advice could make them more relevant for the readers. Bilateral advice letters allow other Member States to understand how Eurostat will interpret unclear ESA points. The CSO itself considers the use of the non-abridged advice Eurostat provided to other Member States as learning material.

¹ AP 1 ongoing. An update about progress was provided on 31 March 2023.

Finally, Eurostat noted that having some parts blacked or blanked-out can create unnecessary ambiguities to the readers.

Eurostat noted that, according to the Irish Statistics Act of 1993, Section 33, there is the possibility for a person or undertaking to provide a written consent to disseminate the information it provided to the CSO. The CSO will investigate if it is possible to get the permission of the parties involved, to increase the transparency of the official advice.

Eurostat also believes that units that need an official analysis from Eurostat might be ready to agree on full transparency for getting such an advice.

The CSO Government Accounts Classifications Division will endeavour to make the official advice more transparent, insofar as possible within the limitations of the national legislation.

Findings and conclusions

Action point 2: The Irish Statistical Authorities will consider the possibility of increasing transparency of official advice.

Deadline: December 2022²

1.2 Data sources

Introduction

Under this item of the agenda, Eurostat enquired about data sources, revision policy, using as an input the current version of the Inventory of the methods, procedures and sources used for the compilation of deficit and debt data and the underlying government sector accounts according to ESA 2010.

1.2.1. Central government sector

Discussion and methodological analysis

In Ireland, as of the time of the meeting, the Central government included: Departments of State (18 entities) and “Additional votes” (32 entities); Extra-Budgetary Funds (EBF) (33 entities); Non-market agencies (248 entities).

Eurostat enquired about the Bank Guarantee Scheme, one of the largest EBFs in terms of impact on B.9 in 2021. According to the EDP Inventory, an EBF with a similar name existed, but was closed in 2010. The Irish Statistical Authorities explained that the two EBFs have similar names but are different. The Inventory shall be updated to cover both funds.

1.2.1.1. Extra-budgetary funds (EBFs)

Irish strategic investment fund

The Ireland Strategic Investment Fund (ISIF) is the main Central Government Extra-Budgetary Fund, however, differently from the other EBFs, has separate accounts.

Eurostat enquired on how the capital injections undertaken by the ISIF are generally treated for EDP statistics and what information is available for the CSO. The Irish Statistical Authorities indicated that all ISIF capital injections were made on a commercial basis and are considered as financial. ISIF is reporting to CSO information on its transactions, positions and other economic flows, and CSO believes that ISIF staff is aware about the MGDD rules related to capital injections. Eurostat enquired about whether any of the

² AP 2 closed. A note on the issue was provided on 23 December 2022.

companies in which ISIF invested went bankrupt, and also asked on the existence of loans containing contingencies or loans not repaid according to the schedule. Eurostat noted that also commercial banks incur losses on some of their investments. CSO was not aware about such an occurrence, which will be investigated.

Eurostat also enquired about the composition of ISIF balance sheet. The Irish Statistical Authorities explained that, at the end of June 2021, in its portfolio of EUR 14.3 billion, the company holds mainly equity (of which EUR 3 billion of AIB shares), with small amounts of loans and bonds. Some of the equity is in non-resident entities.

Eurostat noted that the details on ISIF reported in the table on the revenue of Other Central government bodies (OCGB), show only 58 million under other current revenue in 2021, possibly representing the amounts of dividends received by ISIF. Eurostat thought that the amounts are rather small, compared to the amounts of equity assets held by ISIF. Eurostat enquired about ISIF reporting to the CSO also the information on dividends and retained earnings. The CSO explained that filling in the above table creates a conflict with the general data compilation practice. The data on OCGB is de facto consolidated flows, that is, some flows with general government are eliminated. This also contributes to the rather sizeable discrepancy observed on a unit-by-unit basis.

On the data sources available, the Irish Statistical Authorities explained that the ISIF provides to the CSO a comprehensive quarterly return. This return includes a detailed breakdown of its balance-sheet and investments, covering opening and closing positions, acquisitions and disposals, and data on other economic flows such as market value changes and currency movements. This data is cross classified by investment product (ESA instrument) and by geographic location. Furthermore, the CSO receives a monthly return from the Department of Finance detailing the income and expenditure of ISIF, broken down into ESA transaction categories.

In processing all these data for GFS/EDP purposes, each item is mapped to either a stock or a transaction for the relevant ESA instrument. The data on other economic flows are not mapped directly since these movements can be indirectly derived from the positions and transactions. The underlying data-source provides a more detailed reference if certain items merit deeper scrutiny.

In relation to the incorporation of ISIF flows in EDP Table 2A, the monthly return containing income and expenditure data referenced above is used. The B.9 of ISIF is calculated using this return and it is this figure which is contained in the Net lending (+)/net borrowing (-) of other central government bodies section of Table 2A, in the line specifically dedicated to ISIF.

Holdings by ISIF of Exchequer Notes (AF.31) are cross-checked against data reported as part of the NTMA's quarterly debt return. This data source gives detailed information, by agency, on the holders of Exchequer-issued paper (Exchequer Notes and Central Treasury Notes). Once the amounts involved have been confirmed, this item is consolidated out of the ISIF data and out of the liability side of the balance-sheet in the NTMA data, to assist in the compilation of consolidated Central Government debt.

ISIF had been providing loans to Irish Water up to 2019Q3. These loans were also consolidated out of the data (ISIF assets and Irish Water liabilities) in constructing consolidated Central Government.

Findings and conclusions

Action point 3: The Irish Statistical Authorities will provide a note explaining if any of past investments of ISIF generated losses for the unit or whether any acquisitions of equity or loans were undertaken on a non-commercial basis (e.g., contain contingencies). The note

should also describe on which basis CSO decides if the new ISIF capital injections respect the rules established by MGDD for being considered as financial.

Deadline: March 2023³

Action point 4: The Irish Statistical Authorities will check how the ISIF associated flows (non-consolidated and consolidated) are reported in GFS/EDP (including in the EDP table 2A), and if all flows and stocks are included correctly. Additionally, the correct consolidation of exchequer notes will be verified.

Deadline: September 2022⁴

The Sundry Moneys Deposit Account

Introduction

The Sundry Moneys Deposit Account (SDMA) is an EBF that records the transactions and balances of sundry moneys. Sundry moneys are amounts held pending their transfer to the Central Fund, or such other accounts as appropriate, on instruction from various sections in the Department of Public Expenditure and Reform, the Department of Finance or from external institutions. The account is operated on a cash basis.

Discussion and methodological analysis

The Irish Statistical Authorities explained that the SDMA is a holding account to allow time for the correct distribution of cash received. Of the amounts that are received into the SDMA most cash received (99.9%) is eventually transferred to the Central Fund. The unallocated receipts still in the SDMA at the end of the year are outside the Central Fund pending allocation.

The CSO considers that treating SDMA as an EBF of central government represents the best fit for EDP reporting purposes.

Eurostat enquired about why, in 2021, the SDMA recorded a significant B.9/deficit. The CSO explained this B.9 comes from the financial accounts. Eurostat enquired on why what seems purely cash balances related to managing funds of someone else have an impact on B.9. More generally, Eurostat asked the CSO to clarify how extra-budgetary funds are reported in the EDP table 2A (what exactly is included under the line “non-financial transactions not included in the working balance”) and if there are other entries relating to EBF in the EDP table 2A.

Findings and conclusions

Action point 5: The Irish Statistical Authorities will check the recording of the transactions of the Sundry Moneys Deposit Account and provide a note explaining if and why this extra-budgetary fund has an impact on B.9, as well as will elaborate on the recording of the extra budgetary funds in the EDP table 2A.

Deadline: September 2022⁵

³ AP 3 in progress. Note provided on 31 March 2023.

⁴ AP 4 closed. A note describing the compilation of ISIF associated flows was provided on 30 September 2022.

⁵ AP closed. A note describing the treatment of SDMA, and a file with the 2021 accounts of SDMA were provided on 30 September 2022.

1.2.1.2. Non-market public corporations

Introduction

The CSO has developed a new database for entering the accounting data, assigning ESA codes, and calculating the B.9/B.9f from the annual financial statements of the companies – the Company Accounts Input System (CAIS). At the time of the EDP dialogue visit, the accounts for 2017 and 2018 had been fully entered and validated, while 2019 and 2020 accounts were under way.

The CSO explained that the CAIS is a sub-element of the Government Accounts IT (GAIT) system. This has been developed primarily to enter annual reports for bodies and agencies classified within the General Government sector. In the database, the accounting data are matched with ESA instrument and sector codes according to ESA 2010 accounting standards.

At the end of 2022, the data entered included relevant items from the Income & Expenditure and the Balance-Sheet accounts, supplemented with information from the notes to the accounts. In principle, the Net Lending/Borrowing (B.9nf) and the Net Financial Transactions (B.9f) should be equal. However, in practice there is a discrepancy.

Discussion and methodological analysis

The CSO explained that further developmental work must be undertaken to integrate CAIS information within the GFS compilation system. At the moment of the EDP dialogue visit, the CSO was working at comparing CAIS new data with the figures from the previous sources and ensuring that consolidation within general government was correct.

The most important consideration in relation to the integration of CAIS data is that it should not result in a double count of an item already available from an alternative source used in the compilation process. To prevent this from occurring, a data matrix was created to show all current data sources available for all the entities in S.13 as per the register of public bodies, the so called “CAIS Data Matrix”. This exercise was designed to identify and plan for the data source substitutions required to correctly integrate CAIS data. At T-2, this involves CAIS data replacing existing quarterly survey data, or replacing line item(s) from the budgeted Voted expenditure files. For some entities, the Voted expenditure only reports the Current (D.73) and Capital (D.92) grants.

Findings and conclusions

Eurostat took note that further integration of CAIS data into EDP/GFS compilation process is necessary. As per the CAIS Data Matrix, the targeted replacement of non-CAIS data sources should proceed.

Action point 6: The Irish Statistical Authorities will complete the comparison of CAIS data with those produced by the current data sources, identify the eventual problems, and step up the use of CAIS data in the EDP/GFS compilation process. This should be done first for the largest non-market public corporations, e.g., Irish Water (see Action Point 2022/19).

Deadline: March 2023⁶

⁶ AP 6 ongoing. A detailed note describing progress and the xls CAIS Data Matrix were provided on 31 March 2023.

1.2.2 Social Security Funds (S.1314)

Introduction

The Social security funds subsector includes: Social Insurance Fund; as well as Coillte no.2 Pension Fund and Eircom no.2 Pension Fund.

The Irish Statistical Authorities reported this subsector up to July 2014, and stopped reporting it from 2015 to 2020, following a decision that the Social Insurance Fund (the only entity previously reported under this subsector) did not fulfil the criteria for an institutional unit. From the reporting of September 2014 onwards, the Social Insurance Fund was re-classified as an EBF of central government.

Following a recommendation of the 2019 EDP dialogue visit, aiming at ensuring better comparability among the GFS datasets of Member States, with the EDP notification of October 2021, the CSO started reporting again the Social Security subsector and provided a time series from 2017 reference year.

Discussion and methodological analysis

Eurostat enquired about the possibility to provide a full time series, including data before year 2017.

Eurostat noted that data for S.1314 was available under the ESA 95, so only a few years are missing. The CSO could possibly, as part of the 2024 benchmark revision, use the ESA-95 data as a basis for compiling, on a best effort basis, a full quarterly and annual time series for this subsector.

Eurostat also noted that all the (financial) assets of the Coillte and Eircom Pension Funds are recorded as F.2 assets, which is not a best practice.

Finally, Eurostat noted that the description in the EDP Inventory should be updated also for the Social Security funds sub-sector.

Findings and conclusions

Action point 7: The Irish Statistical Authorities will consider the possibility to solve the issue of the break in time series and to compile a full time-series for the social security subsector.

Deadline: September 2024

Action point 8: The Irish Statistical Authorities will update the Inventory to reflect all the changes in data compilation, including those related to this subsector.

Deadline: December 2023, with possible update in September 2024

1.2.3 Local Authorities

Introduction

Local Government in Ireland comprises: 31 Local Authorities (city and county councils); 3 regional assemblies; and 46 Approved Housing Bodies (non-profit entities involved in the delivery of social housing which were reclassified as government in 2017).

The 46 Approved Housing Bodies (AHBs) are structured in 'tiers' according to the number of housing units managed.

Data for Tier 2 AHBs were captured via administrative data. In the past, Benefacts, a social enterprise, provided free access to extensive financial information for the non-profit sector. The Benefacts data were used by CSO national accountants to compile the non-profit institution sector serving households, the annual system of health accounts and the

GFS/EDP data for Tier 2 AHBs. However, in March 2022, Benefacts ceased its activity and the CSO lost its data sources.

Discussion and methodological analysis

Eurostat enquired about the possible replacements for this lost data source. CSO explained that a new data source will be developed by the Department of Rural and Community Development.

Eurostat expressed concerns about the time that will be necessary to develop a new data source and the gap that will affect the completeness of the GFS data on local authorities.

The CSO received the last set of data from Benefacts on 15 Feb 2022, relating to the accounting period 2020. In the short term, the CSO will extrapolate data for these entities using compensation of employees' data from administrative sources combined with grants from government, that are already available in the existing data sources.

The Irish Statistical Authorities need to investigate alternative sources and determine the most efficient way to proceed. While the accounts of the AHB Tier 2 bodies might be available from the administrative sources, their structure, format, and location may differ and thus be a sub-optimal approach.

The Charities Regulator strategy 2022-2024 includes an action to increase transparency in relation to the finances of registered charities. The CSO will liaise with the Charities Regulator to see if further improvements to their data presentation can be made. This work will be coordinated with colleagues responsible for compiling sector accounts. The CSO's Statistical System Coordination Unit should make the initial engagements with the Charity Regulator and its parent Department.

In the meantime, the CSO should continue to monitor the largest individual entities on a case-by-case basis.

Findings and conclusions

Action point 9: The Irish Statistical Authorities will search for a new data source for Tier 2 AHBs. CSO will avoid a deterioration of the quality of the EDP/GFS data for local authorities. CSO will provide a note on progress on this issue at each EDP notification, as long as the issue is not solved.

Deadline: December 2022⁷

1.2.4 Data source for Compensation of Employees

Introduction

The CSO explained that a timelier administrative data source for Compensation of Employees (CoE)/D.1 has become available. Pay As You Earn MODernisation (PMOD) is an expanded and more timely data set that replaced the previously used P35 data. The CSO receives monthly PMOD updated data from the Revenue Commissioners, which are processed within the National Accounts IT system. The PMOD data are timelier and of better quality than previous P35 data, with full coverage of government sector.

Discussion and methodological analysis

Eurostat noted that the differences in the figures related to CoE from budget reporting and from tax and social security declarations should be monitored and explained.

⁷ AP 9 Ongoing. Detailed notes on progress on this issue was provided on 23 December 2022 and on 31 March 2023.

The CSO explained that the differences between the two datasets are minimal, with many reasons explain them: coverage, granularity, imputed contributions, and timeliness.

PMOD data is used in conjunction with the latest Register of Public Sector Bodies dataset, to allow for full coverage of the general government sector at entity level, including extra budgetary entities such as the Approved Housing Bodies.

The “Voted budgetary data” on CoE expenditure only covers the voted expenditure of government departments. It excludes any CoE expenditure by units in S.13 that are not directly financed via the budget.

The CSO receives monthly PMOD updates from the Revenue Commissioners. The improved timeliness of this data leads to quarterly estimates of D.1 available at T+50 days. The entity level granularity available from the PMOD data allows to analyse, query, and validate quarterly data in time for ESA reporting deadlines.

In comparison, there is a significant lag in receiving the final budgetary Appropriation Accounts, which may be available only for the April N+2 notification, with draft appropriation data available for the October N+1 notification. This also is the case for the local authorities’ annual financial statements. Furthermore, these data are only available at an annual level and require imputation to arrive to the quarterly profile necessary for ESA requirements.

Findings and conclusions

Action point 10: The Irish Statistical Authorities will compare, for the years 2020 and 2021, the figures on CoE as resulting from PMOD, with those included in the budget, explaining, and justifying any differences observed (by unit/entity of the general government sector). Reconciliation tables detailing ESA transactions and any impact on B.9 should be provided to Eurostat.

Deadline: March 2023⁸

2. FOLLOW UP OF THE PREVIOUS EDP DIALOGUE VISITS

Introduction

All the action points out of the 2019 SDV are closed, except for Action Point 2019/19: “Eurostat welcomes the reporting of table on interests and encourage the Irish statistical authorities to make the full reconciliation of T3B”.

In October 2020, the CSO delivered EDP Tables 3B1 and 3B2 and the Table on interests; however, the two data sets were not consistent. The Table on interests delivered in October 2020 was filled for “Budgetary central government”, the same perimeter as EDP Table 3B1. However, the value in line B (Total stock of consolidated Debt at nominal value) of the Table on interests did not fit with the value of the “Budgetary Central Government gross debt” reported in the table 3B1. The inconsistency was explained by the CSO as being due to the fact that the Table on interests was filled by NTMA using relation to Gross National Debt.

Since April 2021, the CSO does not report any more EDP Tables 3B1 and 3B2, while the table on interests is delivered once a year, with the September EDP notification.

⁸ AP 10 closed. A very detailed note on this issue, and two xls files analysing the two datasets and their differences were provided on 23 December 2022.

2.1 Compiling EDP table 3B

The CSO explained that part of the challenge of obtaining an accurate split of Table 3B into tables 3B1 and 3B2 is the difficulty in identifying those elements of the data which pertain solely to Budgetary Central Government.

During the SDV, Eurostat tried to identify the main issues in compilation of EDP Table 3 and the QFAGG. The content of the specific lines of the EDP table 3B were analysed.

2.1.1 Redemption-repurchase of debt above/below nominal value

Introduction

The discussion of the Supplementary table on the government support to financial institutions (see paragraph 5.3.2 and AP 32 in this document for more details), partly started under agenda item 2 during the EDP dialogue visit, clarified that, in 2021, NTMA bought back EUR 2 billion (face value, as recorded in EDP) of Floating Rate Notes (FRN) paying them EUR 3.3 billion (market value, as recorded in Quarterly Financial Accounts/QFA/Table 27) hence recognising a premium of EUR 1.3 billion. The EUR 1.3 billion include small amounts of accrued coupons. NTMA explained that, in recent years, any buy back was related to the FRN. In year 2020, NTMA bought back EUR 1 billion of FRN paying for them EUR 1.65 billion.

Discussion and methodological analysis

Eurostat noted that, in EDP table 3B, the reported values of “Redemption/repurchase of debt above/below nominal value” reported for year 2021 are EUR 858 million and for 2020 EUR 1322 million. The CSO explained that this is due to the line being “adjusted” by EUR 660 million, to reconcile the imbalance between EDP Table 3B and ESA Table 27.

Eurostat noted that, for the year 2020, since the cash transactions included in the financial account were EUR -1.65 billion, while the nominal debt changed for EUR -1 billion, only EUR +650 million (and not EUR 1322 million) should be recorded in EDP Table 3B line “Redemption/repurchase”. The difference should be reported in the EDP Table 3B line “Other statistical discrepancy” since it does not come from a difference between B.9 and B.9f. The line “Difference between B.9 and B.9f” should include only the difference between ESA tables 25 and 27. This correction will reduce considerably the statistical discrepancy in 2020-2021 but would deteriorate it further in 2018-2019. It will also likely increase the discrepancy between ESA table 27 and 25. Eurostat noted that the values recorded under Maastricht Debt that should be verified and if needed, revised.

Eurostat stressed that the adjustment to the line related to “Redemption/repurchase of debt above/below nominal value” should be removed from EDP Tables 3A and B, which should include only the value of the premium paid to buyback the FRNs. The values recorded in ESA Table 27 in relation to the FRN repurchased should also be checked.

The CSO confirmed that at the moment of the EDP dialogue visit the stock of outstanding FRNs had been recorded at face-value in the financial accounts of the Government sector. Until the point at which a buyback occurs, a market-value for these bonds is not available from the NTMA. In addition, the premium paid to repurchase the bonds had not been specifically included as part of the transaction related to FRN buybacks.

The main difficulty for the CSO is reconciling the stock-flow equation in the absence of a full series of market-values for the positions. The CSO would welcome guidance from Eurostat on how best to resolve the recording of these FRN.

Findings and conclusions

Action point 11: The Irish Statistical Authorities will correct the values imputed in EDP Table 3, line “Redemption-repurchase of debt above/below nominal value”, to be in line with the values of acquisition of FRN reported by NTMA, separating the small interest component, to be included in the line “Difference between interest accrued\paid”.

Deadline: September 2022⁹

Action point 12: The Irish Statistical Authorities will verify that the FRN repurchased are recorded at their transaction value (market value) in the ESA Table 27 (i.e., including the premium and not at its nominal value), and (if this is the case) explain why the B.9/B.9f discrepancy between Table 25 and table 27 is nonetheless the same as reported in EDP table 3B.

The Irish Statistical Authorities will also adapt the financial crisis table for this valuation of FRN redemptions/repurchases (which will cause the indirect liabilities to be revised upward owing to the premium on repurchases).

Deadline: September 2022¹⁰

2.1.2 Issuance above/below nominal value

Introduction

The values of “Issuance above/below nominal value” included in EDP Table 3B are equal to the ones shown in the Table on Interest, which covers only the “narrow” central government. Consequently, in EDP table 3B, “discounts/premiums at issuance” of entities other than the Exchequer are not captured.

Discussion and methodological analysis

The Irish Statistical Authorities explained to be investigating other government entities/bodies which issue significant amounts of debt, and specifically the Housing Finance Agency (HFA). A dialogue has been opened with the HFA to explore the movements related to their bond issuance. At the end of 2020, the HFA had EUR 4.29 billion in guaranteed short-term notes issued. There are occasions on which the HFA issues bonds either above or below nominal value. These issuances have not been accounted for in the Adjustments of Table 3B. In addition, the CSO believes that there may also be redemptions above or below nominal value. The next stage is to work with the HFA to obtain the necessary disaggregated movements needed to complete the Adjustments section of Table 3B accordingly.

Findings and conclusions

Action Point 13: The Irish Statistical Authorities will gather the information on discounts\premiums at issuance and redemptions above or below nominal value for central government entities other than NTMA.

Deadline: September 2023

⁹ AP 11 ongoing. The small interest component should also be separated. A note on the issue was provided on 30 September 2022.

¹⁰ AP 12 ongoing and requiring follow-up. A note on the issue was provided on 30 September 2022. It provides the FRN buyback schedule, a description of the current recording, and a request of guidance from Eurostat on how best to record FRN.

2.1.3 Difference between interest accrued and paid

Introduction

Eurostat noted that the item “*Difference between interest (D.41) accrued(-) and paid(+)*” in EDP table 3B was consistent with the same item appearing in EDP Table 2A, but not with the values reported for interests accrued in line 17 of the Table on Interest.

The CSO explained that the basis for the compilation of this item in the EDP Tables is a comprehensive working-file which generates data on interest for the entire general government sector. The sources feeding this working-file include the quarterly accrued debt service statement from the NTMA, and the quarterly survey on income and expenditures of non-market public corporations which comes from the Department of Finance. This data sources also provides the basis for the estimates of D.41 (rec/pay) appearing in the broader range of government finance statistics and are consistent with the corresponding aggregates.

Discussion and methodological analysis

Eurostat enquired about the large gaps between the values of interests accrued, line 17 of the Table on Interest, and the values reported in the line “Difference between interests accrued and paid” in the EDP Table 3B. E.g., in 2020, the Table on Interest line 17 shows EUR 732 million, while the EDP Table 3 shows EUR 406 million.

The CSO explained that the primary difference is due to the fact that the figures in the Table on Interest are limited to the budgetary central government whereas the line in EDP Table 3B covers all the central government sector.

Eurostat observed that, even considering that the Table on Interest covers a “narrow” central government aggregate, and EDP table 3B a broader aggregate, in the Table on Interest the Consolidated Debt at face value at the end of 2019 is EUR 206.7 billion, while it is EUR 208.5 billion in EDP Table 3B. It is difficult to believe that a difference of only EUR 1.8 billion/less than 1% in total debt can justify the large discrepancy between the values of the accrual adjustment in the two tables. This issue should be further investigated.

Findings and conclusions

Action Point 14: The Irish Statistical Authorities will investigate the deviations between the values of accrued interest included in the Table on interest and those included in the quarterly accrued debt service statement from the NTMA, clarifying the cause of the significant deviations observed between interest accrued and paid in EDP table 3 and item 17 of the Table on interest.

Deadline: March 2023¹¹

2.1.4 Recording of hedged debt in EDP table 3B and in ESA table 27

Introduction

The discussion of the Table on derivatives (see paragraph 5.3.6 for more on this issue) provided further insights on another possible inconsistency between EDP Table 3B and ESA Table 27, which might be due to the recording of the early reimbursement of hedged debt.

In November 2010 the Irish government, the EU and the IMF agreed on a financial rescue package. The loans agreed as part of the bailout included EUR 22.5 billion from the IMF, EUR 17,7 billion from the EFSF, EUR 22.5 billion from the EFSM, and EUR 4.8 billion in

¹¹ AP 14 Ongoing. A note was provided to Eurostat in March 2023, with feedback from Eurostat in July 2023.

bilateral loans from the UK (EUR 3,8 billion), Sweden (EUR 0,6 billion) and Denmark (EUR 0,4 billion)¹².

The Irish government repaid ahead of schedule the EUR 22.5 billion obtained from the IMF (denominated in SDRs). Also the loans from Sweden and Denmark were fully repaid in late 2017, but these were denominated in Euro. The State did not seek to repay the British loan (denominated in GBP) early, as it was a fixed-rate agreement, meaning there would have been break costs involved in case of early repayment. The loan from UK was disbursed in eight equal tranches of GBP 403 million over the period October 2011 to September 2013. Each tranche was repayable 7.5 years after disbursement with the final tranche repaid in March 2021¹³.

Discussion and methodological analysis

Eurostat enquired on how all the transactions related to the early repayment were recorded in GFS and in Maastricht debt. Eurostat explained that, when repurchasing a debt liability (e.g., of 400), a cash outflow is observed for the amount paid to have back the security (e.g., -400); if the debt was hedged, also the derivative will be liquidated (e.g., with a gain on the currency swap, + 40). The market value recorded for the repurchase of the loan should be -440, the cash paid is -400, and a swap asset is disposed for -40.

The Irish Statistical Authorities confirmed that the Euro Commercial Paper (ECP) (denominated mainly in USD, part of AF.31L) is hedged, and Eurostat noted that this seems to be reflected in the structure of government debt survey. However, Eurostat observed in QFAGG considerable Other Economic Flows (OEF/revaluation) in AF.31L, while these QFAGG revaluations do not result in commensurate fluctuations in the difference between market and face value (ESA Table 27 versus Table 28). As a consequence, Eurostat stressed the need to double check the reporting in the ESA Table 28 (and in the structure of government debt and in EDP Tables) of the Commercial Paper, i.e., that it was correctly recorded after hedge.

The CSO confirmed that foreign currency liabilities for loans received under the EU-IMF programme, which began in 2011, had all been swapped into euros to hedge the currency liability. In some cases, this had been achieved using a series of short-term rolling Forex trades on an interim basis which were replaced through the implementation of long-term currency swaps. These currency swaps may also have been implemented on a rolling basis during the period of the loan hedge.

The CSO also explained that in the section Other financial transactions (+/-) of EDP Table 2A, under the item “of which: net settlements under swap contracts (+/-) “, transactions relating to swap contracts are recorded. This data is sourced from the debt service statement produced by the NTMA and, more specifically, from the “Swap Flows” interest item.

For the EDP Table 3B, the effect of transactions in swaps is captured through the inclusion of data for F.71A – transactions in financial derivatives. This data is drawn from the QFAGG which, in addition to the pure transaction in derivatives, also contains the “Swap Flows” interest item presented in EDP Table 2A and discussed above.

Both forward currency contracts and cross currency swaps contribute to the aggregate data presented in ESA Table 27 (QFAGG) for positions and transactions. The transactions data, in addition to the pure transaction, also includes the interest payments on swaps, which comes from NTMA Debt Service Statement. The effect of the unwinding of swaps is implicitly captured in the aggregates contained in the QFAGG recording.

¹² <https://www.esm.europa.eu/assistance/ireland>

¹³ [State makes final payment on £3.2bn bailout loan from Britain – The Irish Times](#)

Concerning the Euro Commercial Paper (ECP), the CSO noted that it was recorded in AF.31 while the hedging swap was recorded in AF.71 in the QFAGG. In the Debt, the ECP was recorded under AF.31 and the hedging swap was recorded under AF.42.

The CSO explained that in their data source for derivatives, it is not possible to disentangle the hedge relating to foreign loans from the hedge relating to ECP. The UK loan was finally repaid in 2020Q4 so, since 2021, the hedging in Irish data is only related to the ECP.

Findings and conclusions

Action point 15: The Irish Statistical Authorities will check how the early repayment of the hedged EU-IMF bailout debt was recorded in QFAGG and in EDP Table 3.

Deadline: March 2023¹⁴

Action point 16: The Irish Statistical Authorities will verify how the unwinding of currency swaps is reflected in ESA and EDP tables (2A and 3A/B).

Deadline: March 2023¹⁵

Action point 17: The Irish Statistical Authorities will verify whether the correct valuation of Commercial Paper is used in EDP and ESA tables.

Deadline: September 2022¹⁶

3. FOLLOW UP OF THE LAST EDP NOTIFICATION

Introduction

The issue of Statistical discrepancy, discussed with the Irish statistical authorities in the April 2022 EDP notification, was followed up under this agenda item.

Discussion and methodological analysis

Eurostat noted that as regards the historical EDP tables, the CSO only reports EDP Table 1, while all the other tables are empty. In absence of Historical EDP Table 3, the evolution of statistical discrepancies was not easily observable. Even though the reporting of the historical EDP tables 2 and 3 is voluntary, many Member States regularly report detailed data. Eurostat noted that to have the Irish EDP Historical Table 3A and 3B duly filled would help in monitoring the evolution of the statistical discrepancies.

As a step forward to identifying the elements that contribute to the statistical discrepancies, the CSO prepared Table 3B for three large entities included in central government. These tables were filled using the information available in the GFS database, and not using the financial statements of the entities.

Eurostat noted that the Tables 3B for Irish Water and the Housing Finance Agency show large discrepancies between B.9 and B.9f for each year between 2018 and 2021, which could be considered as a signal of a systematic error in the compilation process. In addition, the B.9 in the EDP tables 3 for these entities differs from the B.9 as shown in the EDP Questionnaire table 3 and EDP table 2A.

The CSO explained that an effort was made to use the correct non-financial B.9 for this exercise, whereas in both EDP Questionnaire table 3 and EDP table 2A, B.9f is reported for

¹⁴ AP 15 under evaluation. A note on the issue was provided on 31 March 2023.

¹⁵ AP 16 under evaluation. A note on the issue was provided on 31 March 2023.

¹⁶ AP 17 under evaluation. Notes on the issue were provided on 30 September 2022 and on 31 March 2023. The recording of the hedging in the debt was amended from 2021Q1 onwards with the notification of March 2023.

all Other central government bodies, including Irish Water and the Housing Finance Agency.

In the normal EDP/GFS compilation, the CSO uses a set of management accounts (not the full set of financial statements) to compile B.9 and B.9f and the latter is considered as more reliable.

Eurostat thought that the current practice of relying on the B.9f rather than B.9 should be abandoned. The Irish statistical authorities were encouraged to start compiling and reporting in the EDP table 2A the B.9 (and not the B.9f) of OCGB.

The CSO explained that the practice of using the B.9f instead of the B.9 for OCGB in EDP Table 2A is a legacy arising from a historical lack of good quality ESA coded non-financial data for these bodies. The CSO also stressed that the problem might be solved when the Company Accounts Input System (CAIS) will be fully functioning (see paragraph 1.2.1.2 and AP6 for more information on CAIS).

Findings and conclusions

Action point 18: To monitor the evolution of statistical discrepancies, the Irish Statistical Authorities will compile and report the EDP Historical Tables 3A and 3B on a best effort basis.

Deadline: September 2023

Action point 19: The Irish Statistical Authorities will crosscheck the current data sources with the accounts of Irish Water and Housing Finance Agency and develop a compilation method that produces consistent values of B9 and B9f. CSO will provide a note about the findings and revised EDP Tables 3 for the two entities (see also AP.6).

Deadline: December 2022¹⁷

Action point 20: The Irish statistical authorities will consider abandoning the current practice to report in the EDP table 2A (and use all over the GFS accounts) B.9f instead of B.9 for OCGB. The CSO will provide to Eurostat a note explaining progress in this action, and/or problems in implementing it.

Deadline: December 2022¹⁸

4. RECORDING OF GOVERNMENT MEASURES UNDERTAKEN IN THE CONTEXT OF COVID-19

4.1 Tax deferrals

Introduction

In Ireland, Covid-19 related tax deferrals occurred as part of the so called “Warehousing of tax debt”. At the moment of the EDP dialogue visit, the CSO included a prudent proportion (47%, based on the business demography information available at the time), of the total taxes warehoused in 2020 and 2021 government revenue figures.

Discussion and methodological analysis

Eurostat noted that other EU Member States accrued higher proportions of deferred taxes, estimating lost amounts at around 10%.

¹⁷ AP 19 closed. A very detailed note on this issue was provided on 23 December 2022.

¹⁸ AP 20 closed. A very detailed note on this issue was provided on 23 December 2022 and 31 March 2023. As of the March 2023 EDP transmission, the B9 is used in EDP Table 2A.

The CSO explained that the view of the Irish Revenue Commissioner is that all tax debt warehoused will be recovered, and therefore nothing should be recorded as lost government revenue in the Supplementary table on Covid-19/Annex 8.

Eurostat enquired about the Revenue Commissioner investigating if any of the companies that warehoused their tax liabilities went bankrupt and stressed the need to come to a more realistic estimation on how much of the deferred taxes will be repaid and how much should be considered lost.

Eurostat noted that some new elements might have become available allowing for revising the estimations made. The CSO noted that the existing source data does not distinguish how much of taxes paid in cash each month was related to previously deferred tax payments. Repayment of deferred taxes was voluntary and did not bear interests till the end of 2022.

Eurostat explained that if all the deferred amounts are recorded as government's revenue in the period when they are finally paid, this would artificially inflate the B.9 of that period, which should be avoided.

Eurostat also noted that, according to the debt Warehousing Statistics, Table 8¹⁹, large amounts of tax debt continued to be warehoused in January 2022 (when the warehousing possibility expired for most companies), with a particularly large amount of Employer PAYE (260 million EUR) attributed to the original due month of January 2022. Eurostat found these large values difficult to understand and justify.

Eurostat thought that, by the notification of October 2022, the initial estimates should be revised, and a more plausible figure of the amounts of deferred taxes expected to be paid should be produced, updating the 2020 and 2021 figures on tax revenue accordingly. A corresponding estimation of the lost taxes should be reported as negative government revenue in the Supplementary table.

The Irish Statistical Authorities undertook a review of the methodology underlying the accrual calculation. The business statistics area of the CSO conducted research on 'Business signs of life' tracking the 2019 business population through the pandemic. According to this study, 84% of enterprises had survived at the end of 2021, ranging from 77% in the food and accommodation sector to 88% in the professional, and scientific and technical activities. Following this analysis, the Irish Statistical Authorities concluded that an accrual rate of 85% of the warehoused debt was more appropriate.

Finally, Eurostat enquired whether there were Irish public banks not paying dividends in 2020, because of the instruction received by the ECB. In case the decision on the amounts of dividends to be paid was taken in 2020, but their payment was postponed, then these dividends should be accrued in the year they were deliberated. If no decision on the amounts of dividends to be distributed was taken in 2020, then nothing should be recorded in that year, and any large dividends distributed in the following years should be super-dividend tested.

Findings and conclusions

Action point 21: The Irish Statistical Authorities will discuss with the Revenue Commissioner how many of the companies that warehoused their debt went bankrupt and produce an agreed estimation of the amounts of taxes accrued in 2020 and 2021 (revising the reported data on revenue accordingly) and of the amounts lost, that will be included in Annex 8.

¹⁹ <https://www.revenue.ie/en/corporate/documents/statistics/registrations/warehouse-debt-statistics-310322.pdf>

*Deadline: September 2022*²⁰

Action point 22: The Irish Statistical Authorities will investigate the large amounts of VAT and Employer PAYE recorded in January 2022.

*Deadline: September 2022*²¹

4.2 Recovery and Resilience Facility²²

Introduction

Data sources used in order to capture RRF associated flows were reviewed under this agenda point. Eurostat and the Irish statistical authorities also analysed the RRF table, as reported in the April 2022 EDP notification.

Discussion and methodological analysis

Eurostat recalled that the Irish RRF table is empty for the year 2020, as there were no expenditures incurred on behalf of RRF. At the time of the EDP visit, there were no cash disbursements from the European Commission: no payment request was submitted, the Irish government also did not request the pre-financing.

On the data sources, the CSO clarified that in Ireland, the Department of Public Expenditure and Reform (DPER) have responsibility for monitoring the RRF expenditure and the completion of milestones and grants.

The CSO explained that, to meet the statistical reporting requirements for RRF contained in EDP Annex 9, a quarterly survey template (T+60) has been designed in conjunction with the Department of Finance to capture expenditure. DPER is sending the survey to each project manager and the returned forms are checked and reconciled.

On the revenue side, RRF grants will be captured by the monthly exchequer statements. However, no receipts from the EU in relation to the RRF were received in 2021. The first receipt was expected in Q1 2023.

Eurostat noted that, after an intensive bilateral consultation, the 2021 and 2022 expenditure financed via the RRF had been reported correctly in the RRF table, neutralising it for the amounts that Ireland intends to claim against the future RRF receipts.

Findings and conclusions

Eurostat took note of the situation.

4.3 SURE

Introduction and conclusions

Ireland availed of a loan under the Support to mitigate Unemployment Risk in an Emergency (SURE) instrument in Q1 2021²³.

The amounts received (cashflows) were EUR 2,496,693,200. The par value of the loan is EUR 2,473,000,000 to be repaid at maturity. The treatment of the premium is in line with Eurostat guidelines, that is it has no B9 impact at inception and it is amortised in

²⁰ AP 21 closed. Updated accrual estimates of the amounts entering the warehouse were used for the EDP notification of 30 September 2022. A note received on the same day provides a comparison between the previous and the revised estimates.

²¹ AP 22 closed. A note on the issue was received on 30 September 2022.

²² <https://www.gov.ie/en/publication/d4939-national-recovery-and-resilience-plan-2021/>

²³ https://ec.europa.eu/info/business-economy-euro/economic-and-fiscal-policy-coordination/financial-assistance-eu/funding-mechanisms-and-facilities/sure_en

D.41p/F.42L.

The amount of accrued interest recorded in 2021 is -EUR 457,521.

Eurostat noted that CSO should include this SURE loan (and its interest) in the Supplementary table on Covid, Annex 8.

5. METHODOLOGICAL ISSUES

5.1 Delimitation of general government sector

5.1.1 The Register of public sector bodies and the Questionnaire on government-controlled units

Introduction

In Ireland, the Register of public sector bodies includes all the State entities which are considered to belong to the public sector for the purposes of GFS and EDP. It includes not only the units that are part of general government but also the public units that are classified in S.11 and S.12. It is available on-line²⁴.

Discussion and methodological analysis

Eurostat noted that the Register of public sector bodies available from the link above, updated on 20th October 2021, included 815 entities, of which 324 are public, but not part of the government sector. The Questionnaire on government-controlled units sent to Eurostat, December 2021 version, included 344 units. There was a difference of 20 units between the 2 lists, which is not very big, but should nevertheless be investigated.

The CSO explained that the difference might be due to the fact that the entities dissolved or in liquidation remain on Eurostat's Questionnaire until the last reported data in the three-year market test period expires. These entities will be removed from the Questionnaire only when the three years of data are no longer relevant but will be removed immediately from the Register.

Findings and conclusions

Action point 23: The Irish Statistical Authorities will double check the total number of units included in the Questionnaire on government-controlled units classified outside general government, as due for December 2022, with the number of similar units included in the Register of Public Sector Bodies. A note to Eurostat should explain the differences, and the variations compared to the previous version of the two lists.

Deadline: December 2022²⁵

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

Introduction

Eurostat noted that, in the Irish Questionnaire on government-controlled units classified outside general government (the version received by Eurostat in December 2021, and re-transmitted various times due to formatting mistakes, the last one on 27/01/2022), there is no information for most of the 344 entities: no information on Liabilities for 112 units, no Number of employees for 296 units, no M/NM test for 281 units.

²⁴ <https://www.cso.ie/en/statistics/governmentaccounts/registerofpublicsectorbodiesinireland/>

²⁵ AP 23 closed. A very detailed note on the issue was received on 23 December 2022.

Discussion and methodological analysis

The CSO explained that this is mainly due to the coexistence of parent companies and subsidiaries in the Questionnaire. Due to the lack of detailed financial information for these subsidiaries the breakdown of key financial information is not available.

Eurostat suggested that, when the units with no information are subsidiaries of other units included in the Questionnaire for which consolidated information is used, this could be indicated in the last column of the file.

Eurostat remarked that in the Questionnaire on government-controlled units classified outside general government, 3 entities were classified in NACE 84. According to ESA 3.84, output from units classified in NACE Section Public Administration O/84 is non-market.

Eurostat also noted that in the Questionnaire on government-controlled units classified outside general government, 30 units were classified in NACE 6420, Activity of holding companies. The CSO should check if any of these were “public head offices”, to be assessed according to ESA 20.35.b.

Findings and conclusions

Action point 24: The Irish Statistical Authorities will investigate cases of public entities included in the Questionnaire of government-controlled entities classified outside the general government sector. If some of these units are subsidiaries of other units included in the Questionnaire, for each subsidiary the name of the mother company should be indicated in the last column. If they are in liquidation or non-active, they should be in government.

Deadline: December 2022²⁶

Action point 25: The Irish Statistical Authorities will investigate the cases of entities with NACE 84 and either correct their NACE code or reclassify them in government.

Deadline: December 2022²⁷

Action point 26: The Irish Statistical Authorities will investigate the cases of entities with NACE 6420 that have no employees, to check whether they are public head offices, and as such to be reclassified in the general government sector.

Deadline: December 2022²⁸

5.1.3 Sector classification of universities

Introduction

At the time of the EDP dialogue visit, the priority for the CSO was the review of the new Higher Education Authority (HEA) Bill.

In 2021, the Irish government approved the draft text of the new HEA Bill, which at the time of the EDP dialogue visit, was still going through the legislative process. The Department of Further and Higher Education, Research, Innovation and Science (DFHERIS) requested to the CSO an ex-ante advice on the new legislation. The DFHERIS wants to be sure that the new legislative framework will not lead to a change in the current ‘off balance sheet’ classification of the universities.

In Ireland the public universities are classified outside the government sector, while in all the other EU Member States they are considered part of government sector.

²⁶ AP 24 is closed. A very detailed note on the issue was received on 23 December 2022.

²⁷ AP 25 is closed. A very detailed note on the issue was received on 23 December 2022.

²⁸ AP 26 is closed. A note on the issue was received on 23 December 2022.

Up to 2013, the Irish universities were classified as Non-Profit Institutions Serving Households (S.15), i.e., as privately controlled non-market bodies. In 2013 the CSO reclassified the universities as market producers in S.11 (Non-Financial Corporations) following discussions with Eurostat at, and post, the 2012 EDP dialogue visit. At the EDP dialogue visit of January 2017, Eurostat and the CSO revisited the assessment of the control of universities, not tackled in previous analysis of these entities.

In January 2018, the CSO produced a detailed analysis of all the elements relevant for the statistical sector classification of seven of its universities²⁹, and concluded they were correctly classified as public sector market producers, belonging to S.11001.

The seven universities are included in the Register of Public Sector Bodies and in the Questionnaire on public corporations and considered “Commercial Non-Financial Corporation under the aegis of Department of Further & Higher Education, Research, Innovation and Science”.

Besides these universities, Ireland has other public entities in charge of higher education (NACE code 8542/Tertiary education), the fourteen institutes of technology, all included in central government S.1311.

University borrowings as of 30 September 2020 stood at EUR 873 million (0,234 % of GDP), primarily sourced from the European Investment Bank.

Discussion and methodological analysis

The DFHERIS explained that the draft of the new legislation, at the moment of the EDP dialogue visit, was going through several stages of consultations and debates and was not yet available in a final and consolidated version. Compared to the draft version of the Bill³⁰ analysed by Eurostat before the visit, the most recent consultations had, e.g., dropped the “provision of assistance” paragraphs (related to the possibility for the university to request advice of a specialist nature to the HEA) existing in the initial draft.

In its preliminary analysis of the initial draft of the new HEA Bill, the CSO concluded that the Bill does not undermine the autonomy of decision of the seven universities. The new legislation reduces the power of the Minister (existing under the old legislation), as the right to dismiss their governing body on specific grounds was repealed.

Concerning governance, Eurostat noted that, since the universities are public, it is normal that government can appoint people to the governing bodies. However, it should be considered if it appoints independent experts or government officials. There is a fine line between control and autonomy of decision. Being the main shareholder, government can “control”, e.g., via providing guidelines and legal rules. However, government should not have excessive powers limiting the autonomy of decision of the universities, should not interfere in the daily business of the universities. If government can issue guidelines on the numbers and grades of employees of universities, and can also fix their salary, then one might get to a situation where university employees become like government’s officials, and this might be an important element when deciding on the sectorisation of the universities.

Eurostat enquired about material changes in the financing framework for the universities introduced by the new legislation. DFHERIS explained that the financing/funding framework for the higher education will not change with the new Bill.

Eurostat noted that funding is another key element to consider, when deciding about the sector classification of the universities. It should be thoroughly analysed what sort of

²⁹ Dublin City University, National University of Ireland Galway, Maynooth University, University College Cork, University College Dublin, University of Limerick, Trinity College Dublin.

³⁰ <https://www.gov.ie/en/publication/47c15-higher-education-authority-bill-2022/>

funding the universities receive and how are the amounts determined. The closer the funding gets to covering costs, the more likely it will not be considered as a market revenue.

In Ireland students directly pay certain charges set by the universities (around EUR 3000) as contribution to the costs of their higher education, and government tops this amount with grants for the universities which are called “free fees” (Rec 3/00:35:16).

The DFHERIS explained that, when a student applies to a university, the university will determine his/her total liability in line with the free fees scheme, asking directly to the student e.g., a contribution of around EUR 3000 and the remaining amount (which might be different depending on the cost of the course followed) will be covered by government via the “free fee” grants. Ninety per cent of students pay only the EUR 3000, and around ten per cent (mainly non-residents) pay the full cost.

The DFHERIS clarified that “free fees” are paid by government directly to the universities based on the number of students registered in the university (as logged by the same university), and students do not need to apply for the university to receive them.

The DFHERIS explained that students must apply (and be eligible based on predefined criteria) to get other types of grants, like “Maintenance grants”, which are paid directly to the student and are modulated depending on their income. In case a student is entitled to a “maintenance grant”, then government will also pay the EUR 3000 student contribution to the university.

The DFHERIS explained that each year, government pre-defines total amount of money to be spend on higher education, which in Ireland includes the seven Universities and colleges (classified in S.11) and the fourteen Institutes of Technology (classified in S.13). The total available amount is split in two separate ‘pots’: one for the Universities and one for the Institutes of Technology.

The pot/Block Grant of each group of higher education institutions, is then split in two main subcomponents: the Free Fess Grant and the Core Recurrent Grant. The “Free fees” element is the first call on the pot, and the remaining amounts is available to the universities (and to the Institutes of Technology) as recurrent grants to cover the operational costs. For each group of higher education institutions, if more funding is needed to meet the “Free fees” obligation, then there will be less funding available as Core Grant.

Eurostat noted that, comparing the composition of the pots of the two groups of higher education institutions, the Institutes of Technology (classified in S.11) seem to receive lower amounts of free fees, and higher amounts of recurrent grants than the Universities.

The DFHERIS explained that the Institutes of Technology have by far less research and commercial activity than the universities.

CSO explained that all students-related fees income of the universities, whether paid by households or by the State on behalf of households, is treated as sales. The amounts received by the universities from government under the Free Fees Initiative are recorded as D.632 (social transfers in kind) in the government accounts.

Eurostat noted that key to the classification of the Irish universities outside government is the treatment as sales of the “Free Fees” paid by the State on behalf of households, recorded as D.632/Social transfers in kind when making the market/non-market test.

Eurostat reminded that a public institution might end up in government for different reasons, because of governance, because of the lack of autonomy of decision, but also because of financing, depending on the type of financing the universities receive from government.

Eurostat will need to fully and clearly understand how all the amounts that government pay to the universities are determined, to figure out if the “Free Fees” can really be recorded as market sales.

Findings and conclusions

Action point 27: The Irish Statistical Authorities will provide an analysis of the way the financing of universities works, e.g. describing how the amounts of the free-fees are determined, as compared to the total government financing available for the universities, as well as on what exactly is included under the D.632 figures provided before the visit, and will elaborate on the ratio of D.632 to other P.131 of universities, and inform if the amounts of grants are decided after the fees are settled and who decides on the cost of education.

Deadline: September 2022³¹

Action point 28: The Irish statistical authorities will follow closely the developments of the new Irish Higher Education Authority Bill and will provide to Eurostat their analysis of the eventual changes it might determine in the classification of the universities. Updates will be provided until the legislative process is complete and CSO reviews the final Act. Deadline will depend on the final Act, the timing of which is outside CSO control.

Deadline: December 2022, or later, depending on date of approval of the final Bill³²

5.2. Implementation of the accrual principle

5.2.1 Taxes and social contributions

Introduction

In Ireland direct taxes, taxes on income and wealth, represent the highest single entry, and in 2021 represented almost 50% of government total revenue.

Eurostat analysed the monthly cash and the quarterly accrual data on taxes and social contributions provided by the CSO and checked the transition from the monthly cash to the quarterly and annual accrual data. For Value Added Tax, Corporate Income Tax and Social contributions D.611, only minor discrepancies emerged, likely due to updated monthly data.

For the Personal Income Tax and D.613, Eurostat was not able to reproduce, starting from the monthly cash figures, the quarterly accrual GFS data reported by the CSO. For Personal Income Tax (IT in the CSO files), the quarterly accrual/TAC IT figures included in the documentation provided prior to the visit are much lower than the quarterly TAC figures Eurostat obtained starting from the monthly cash data.

Discussion and methodological analysis

Eurostat shared with the CSO the print-out of the XLS tables with its analysis of the transition from cash to accrual data.

For PIT, the CSO provided two files, one with the monthly cash data and one with the quarterly and annual cash and accrual data.

³¹ AP 27 under evaluation. The Irish statistical authorities provided several documents addressing this AP as part of the EDP notification of October 2022. Eurostat sent an e-mail with eight further questions on this subject on 22 November 2022. The Irish statistical authorities provided a note with replies on 23 December 2022. In January 2023 Eurostat informed to the Irish statistical authority that it will come back on this issue.

³² CSO submitted its conclusion on the HEA Bill at end of June 2022. In November 2022 Eurostat agreed with CSO's assessment.

In March 2023 the CSO notified Eurostat that its assessment was unchanged following the enactment of the Higher Education Authority Act 2022 on 12 October 2022. The CSO is still waiting for Eurostat's view.

Using the monthly cash data, Eurostat tried to replicate the quarterly and annual accrual GFS data. According to the information provided by the CSO, the PIT cash data are time adjusted by one month to obtain the accrual figures included in NAs, to reflect the delay between the month when the tax was deducted at source and when it is remitted to the Revenue Commissioner. Eurostat calculated quarterly accrual figures using the t+1M cash data but was not able to reproduce the quarterly TAC figures reported by Ireland, obtaining much higher values. Eurostat wondered if this discrepancy was related to the PIT paid by self-employed persons being included in the sheet related to PIT. This part of the PIT is recorded on a cash basis, and so are reimbursements and refunds (Inventory, p.60).

The CSO confirmed that the monthly cash data provided for the EDP Dialogue Visit showed total income tax. This includes both PAYE (Pay As You Earn) income tax and non-PAYE income tax. Only PAYE income tax is time adjusted, so it would not be possible to calculate the TAC amounts directly from the monthly cash figures provided.

For Corporate Income Tax (CIT), the CSO provided two files, one with the monthly cash data and one with the quarterly and annual cash and accrual data. In Ireland, CIT is recorded on a cash basis. Cash data show that receipts are concentrated in May, June, and November (approximately 60% of the annual receipts are in these months). Eurostat cross-checked the annual cash data in the CSO file with those reported in ESA Table 9 for period 2018-2020, item D.51B Taxes on the income or profits of corporations and detected differences of 16 million in 2018 and 5 million in 2019.

The CSO explained that, during 2020, CIT receipts were used to fund a Covid-19 support measure (Covid-19 Restriction Support Scheme - CRSS). From a statistical point of view this is considered an expenditure of government. Therefore, the CSO increased the amount of CIT revenue and included the CRSS as expenditure.

For D.611, Eurostat calculated the quarterly accrual figures using the monthly cash data provided by the CSO and reproduced the same quarterly TAC figures reported by Ireland, with a discrepancy detected only for 2021Q1.

For D.613, Eurostat was not able to reproduce, starting from the monthly cash figures, the quarterly accrual data. The quarterly accrual D.613 figures included in the CSO file are lower than the quarterly figures Eurostat calculated starting from the monthly cash data. The CSO explained that the monthly cash data on D.613 included both Employees' and Self Employed PRSI. The TAC accrual adjustment (T+1 month) is only applied to the employee amounts and the self-employed amounts are included as cash.

The CSO should investigate the discrepancies in the Value Added Tax, Corporate Tax and D.611 identified by Eurostat and address them with the next EDP notification. It should also explain why it is not possible to reconstruct the reported accrual PIT and D.613 figures starting from the monthly cash figures provided.

Findings and conclusions

Action point 29: The Irish Statistical Authorities will fix the minor discrepancies between the monthly cash data and the quarterly accrual data of Value Added Tax, Corporate Income Tax and D.611.

Deadline: September 2022³³

Action point 30: The Irish Statistical Authorities will check the monthly cash data related to Personal Income Tax and will explain how it arrived at the figures included in the file with quarterly accrual data.

³³ AP 29 closed. A note on the issue was received on 30 September 2022.

*Deadline: September 2022*³⁴

Action point 31: The Irish Statistical Authorities will check the monthly cash data related to D.613 and will explain how it arrived at the figures included in the file with quarterly accrual data.

*Deadline: September 2022*³⁵

5.2.2 Interest

Introduction

Eurostat noted that, in May 2022, the most recent table on Interests was the one reported on 30 September 2021, which includes figures related to “2020 draft”.

Discussion and methodological analysis

The Irish Statistical Authorities explained that NTMA prepares the data for this table that can only be extracted once a year, for the September EDP notification. Eurostat enquired on why this table was not updated and compiled more frequently. NTMA explained that the table requires a lot of calculations, in periods when the agency is overloaded by other tasks.

Eurostat noted that, in the Table on interests, the figures seem correct, with coupons paid falling over time, while the decline shown in interests accrued is plausible and the issuance pattern is reasonable. There is more issuance at premium.

The discussion and conclusions on this agenda item are included in previous paragraph 2.1.3 (AP14) since it is related to the compilation of EDP Table 3B.

5.3 Recording of specific government transaction

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

Introduction and conclusions

Eurostat analysed the table related to the “Recording of EU flows” provided by the CSO before the EDP dialogue visit. It observed that the figures in Block 1 fitted with those included in EDPQ T6, lines 4 and 6, and the figures in Block 2 fitted with those included in EDP T2A, Other accounts receivable and payable.

5.3.2 Government intervention to support financial institutions

Introduction

Eurostat noted that, in the *Supplementary table on the government support to financial institutions*, Debt/Indirect Liabilities increase each and every year by relevant amounts (+ EUR 1.5 billion in 2021); this is explained by the premium associated with the buyback of the Floating Rate Notes (FRN) issued in 2013 when the Irish Bank Resolution Corporation (IBRC) was liquidated. Eurostat noted that the liquidation of IBRC is described as a success on the webpage of the Department of Finance, even if each year it is adding 1 or 2 billion to the Irish debt.

Eurostat also observed that, in the Supplementary table on the government support to financial institutions, if we compare the net-worth, the net assets at the end of 2021 (i.e., assets minus debt, EUR 65.7 billion) with the accumulated deficit/surplus over 2007-2021

³⁴ AP 30 closed. A note and an XLS sheet explaining the CSO’s approach to PIT accrued income tax reporting was received on 30 September 2022.

³⁵ AP 31 closed. A note and an XLS sheet explaining the transition from cash to accrual data was received on 30 September 2022.

(EUR 48.7 billion), we remark that the financial net worth deteriorated significantly more than the actual impact on the deficit. Holding losses on equity, that might be estimated from the table as equity stocks minus equity transactions, appear in 2010, 2011 and 2015, but explain only part of this gap.

Discussion and methodological analysis

Eurostat wondered if the gap between the accumulated deficit and the net worth is caused by valuation of some of the large transactions related to the Irish Financial Crisis. The successive steps of the Crisis were recalled in a CSO webinar of 27 April 2022 and in a very interesting paper from Patrick Quill³⁶.

The discussion focused on the recording of the Floating Rate Notes (FRN), since transactions related to these notes are recorded in the Supplementary table on the government support to financial institutions, every year (see also paragraph 2.1.1 and APs 11 and 12).

The Irish Statistical Authorities explained that, following the liquidation of the Irish Bank Resolution Corporation (IBRC) on 7 February 2013, and the agreement between the Irish Government and the Central Bank of Ireland (CBI) to replace the promissory notes previously provided to State-owned IBRC with long-term Government Bonds, the promissory notes were cancelled and replaced with eight new Floating Rate Treasury Bonds, or Floating Rate Notes (FRN). A total amount of EUR 25.03 billion was issued on 8 February 2013 to the CBI with maturities ranging from 25 to 40 years. Since 2013, the National Treasury Management Agency (NTMA) is buying back these bonds at a premium.

The NTMA explained that the FRN were issued by government and bought by the CBI. Each year, NTMA buys back from CBI some FRN at a premium (for amounts of EUR 0.5, 1, or 2 billion, depending on the year). The premium government pays to the CBI at the end goes back to the government as a dividend, treated in the GFS compilation as super dividend (see paragraph 5.3.5 of this document).

In 2021, NTMA bought back EUR 2 billion of FRN (face value) paying them EUR 3.2 billion (market value) hence a premium of EUR 1.2 billion. The EUR 1.2 billion include small amounts of accrued coupons. NTMA also explained that, in the recent years, any buy back was related to the FRN. In year 2020, NTMA bought back EUR 1 billion of FRN (face value) paying for them EUR 1.65 billion.

Findings and conclusions

During the discussion, Eurostat highlighted several issues related to the compilation of the table that should be checked and clarified.

- a) As mentioned in the previous Action point 12, ***FRN repurchases should feature at their market value (or transaction value) in the financial accounts (ESA table 27). In the Table on the Financial Crisis, Part 3, Transactions, Liabilities/Debt securities/line f, the face value of the FRN repurchased should be included*** (e.g., for year 2020, EUR 1 billion)³⁷.
- b) ***The double/matching recording regarding the FRN of EUR 31411 million in 2010 in part 3 item e2/ and f/ should be removed***, presumably by removing item f/ which will then remove the considerable discrepancy observed between part 1 and part 3.³⁸

³⁶https://www.researchgate.net/publication/318565816_The_statistical_treatment_of_government_intervention_s_in_the_banking_sector_during_the_financial_crisis

³⁷ AP 32 a) closed. A note explaining why this was not an issue was provided on 31 March 2023.

³⁸ AP 32 b) closed. A revision was introduced in the 2010 figures of the Supplementary table on the government support to financial institutions delivered in April 2023.

- c) ***The double/matching recording of EUR 2518 and EUR 3072 million, in 2011 and in 2012 respectively, in part 3 item e/ and f/, will be explained or corrected*** (possibly with the removal of item f/ which would then revise upwards the indirect debt by this amount). CSO explained that the FRNs did not exist prior to 2013. There were payments made on the promissory notes in 2011 and 2012. This requires entry in part 3 of the table. As IBRC was classified in general government by the end of 2011, the 2012 transaction has been removed from this table. The payment in 2011 was prior to the merger of Anglo-Irish Bank and INBS which formed IBRC.³⁹
- d) This latter c/ will be considered only after ***a complete evaluation of the correct recording of the FRN (including their conversion from Promissory Notes) that were initially granted to beneficiary banks*** in 2010 as part of their recapitalisation, later merged into IBRC (classified inside government, in 2011), then purchased by the Central Bank of Ireland (in 2013). ***A recapitulation note will be provided to this effect to Eurostat, recalling the events, the amounts, and the recording in the GFS and in the financial crisis table.*** CSO explained that IBRC assets and liabilities are recorded correctly in part 2, D(d) and E(g). Figures are included on a consolidated basis.⁴⁰
- e) The Irish Statistical Authorities will ***clarify*** how this table is currently, as well as should be, shown from a consolidation point of view. Notably: ***whether/why the Promissory Notes should still feature as debt in Part 2 item e/ in the years 2011-2012, after/despite the IBRC reclassification inside government*** (the item would be consolidated), ***whether these Promissory Notes also feature as assets in Part 2 item d/*** (nonconsolidated presentation), and if yes to this latter question why the reduction in this latter item d/ is much less abrupt than that of item e/ in the year 2013. CSO explained that, while IBRC had been included in the table, the promissory notes were not correctly consolidated on the liability side. The promissory notes were loan liabilities and upon reclassification they were removed from part 2 item E e) in 2011.⁴¹
- f) The Irish Statistical Authorities will ***recall whether the 2013 repurchase, by the Irish Central Bank, of the IBRC claims against the Treasury (promissory notes) was made before or after the conversion into FRNs***, and at what price the repurchase was carried out and by what means (i.e., how much IBRC received and in what form).⁴²
- g) The Irish Statistical Authorities will ***clarify how the IBRC (re)classification in 2011 inside government is currently reported***: by transactions (corresponding to the MGDD numerical example, an option explicitly preferred in the new draft MGDD) or by other changes in volume (OCV)? CSO explained that it is recorded as OCV.⁴³
- h) The Irish Statistical Authorities will ***clarify why the IBRC assets and liabilities gradually fall over time*** (which is expected, reflecting the liquidation process) ***in item d/ and g/ of Part 2 but without any entry in Part 3 d/ and g/ for most years***, which in turn may have caused a mismeasurement of indirect debt and thus may explain part of the ‘gap’. CSO explained that the data required to show entries in Part 3 is not available.⁴⁴

³⁹ AP 32 c) closed. A revision was introduced in the 2011 and 2012 figures of the Supplementary table on the government support to financial institutions delivered in April 2023.

⁴⁰ AP 32 d) closed.

⁴¹ AP 32 e) closed. A revision was introduced in the Supplementary table on the government support to financial institutions delivered in April 2023.

⁴² AP 32 f) pending.

⁴³ AP 32 g) closed. A note dated 20160322 with a detailed description of the recording of IBRC balance sheet in GFS was provided.

⁴⁴ AP 32 h) to be evaluated. A note on this issue was provided on 31 March 2023.

- i) ***The equity stake in AIB should be valued at market value (close to EUR 3 billion) in Part 2***, which will reduce the negative net assets and will accordingly reduce the ‘gap’ as of end 2021.⁴⁵
- j) ***The equity stake of government in NAMA should be recorded in Part 2 at its fair value, that is: using the net assets value of NAMA*** (as the 51% shareholders do not have access to the liquidation value of NAMA), ***until its reclassification inside government.***
The reclassification of NAMA should then be shown in the table. This will reduce the negative net assets and will accordingly reduce the ‘gap’ as of end 2021 (close to EUR 4 billion).⁴⁶
- k) The Irish Statistical Authorities will ***detail the other revenue position in Part 1 item d/.*** CSO explained that the majority of the Other Revenue position (Part 1, item d) comprises D21 income from the Risk Equalisation Fund. Also included is IBRC other income (consolidated) and D29 income from the Credit Institutions Redress Fund (CIRF).⁴⁷
- l) The Irish Statistical Authorities will ***explain if and how holding gains on FRN are excluded from dividends paid by the Irish Central Bank.*** CSO confirmed that the net movement in unrealised gains (which includes the holding gains on the FRNs) is transferred to the revaluation accounts and is excluded from the surplus income payable to the Exchequer by the Central Bank of Ireland. For further information, see the profit and loss and revaluation account in the bank’s annual accounts^{48, 49}.
- m) To assist the compilation of this table, Eurostat invites the Irish Statistical Authorities ***to append a detailed annex showing the largest operations/events*** (similarly to how annex 8.2 assists in compiling annex 8.1) and, perhaps, ***to show the financial crisis table first non-consolidated then, as a second step, consolidated.***⁵⁰

Action point 32: The Irish Statistical Authorities will adapt the Supplementary table on the government support to financial institutions along the lines of the detailed discussions above, or otherwise will explain to Eurostat the elements that would suggest not to do so (for selected items). They will also report on the issues listed above.

Deadline: March 2023⁵¹

5.3.3 Guarantees

Introduction

In the wake of the COVID pandemics, many EU Member states introduced guarantee schemes which had features of the standardised guarantee schemes. To promote harmonised recording, further methodological discussions on the proper classification of Covid guarantee schemes took place in the context of the EDPS WG. Consequently, the Irish EDP Questionnaire Table 9.4 - Standardised guarantees, was provided with values by the CSO for the first time as part of the October 2021 EDP notification. The table includes information on the following guarantee schemes: the Credit Guarantee Scheme (CGS); the

⁴⁵ AP 32 i) ongoing.

⁴⁶ AP 32 j) to be evaluated and requiring follow up. A note on this issue was provided on 31 March 2023.

⁴⁷ AP 32 k) closed.

⁴⁸ <https://www.centralbank.ie/publication/corporate-reports/annual-reports>

⁴⁹ AP 32 l) closed.

⁵⁰ AP 32 m) pending.

⁵¹ AP 32 sub-action points are at various stages of implementation, as detailed in the previous footnotes. See the note providing feedback on each of them received on 31 March 2023.

Covid-19 Credit Guarantee Scheme (CCGS); the State guaranteed refund Travel Credit notes issued by travel providers following Covid-19.

Discussion and methodological analysis

Looking at the 2020 and 2021 figures, reported in the EDP Questionnaire, Eurostat noticed that provisions for calls under standardised guarantees in 2020 represents 33% of the new guarantees of the year, while in 2021 F.66L represent 16% of the new guarantees of the year. It seemed to Eurostat that a different method was used for estimating F.66L in 2020 and 2021.

The CSO explained that the introduction of Covid-19 related guarantee schemes prompted a review of the compilation method used for all type of guarantees, which had always been treated as one-off, i.e., contingent liabilities. The methodology for compiling the related items was upgraded.

In September 2021 the full CGS and CCGS amounts outstanding were included in the F66L transactions and positions as, at that time, there was no estimate of expected defaults available. EDP Table 9.4 was reported for the first time.

In March 2022 the Department of Enterprise, Trade and Employment provided an estimated default rate of 20%. This value was used to estimate flows.

As no estimate of expected defaults was available for the Travel Credit note scheme, the entire amount was recorded from Q2 2020. Over time, the credit notes have been honoured by the travel providers resulting in a reduced amount outstanding each quarter. This is shown as a decrease in the F.66 liability which is reflected in the stock position at the end of each period. This guarantee is due to expire in December 2022, at which point it is expected that the guarantee will have been completely unwound and the State's outstanding potential liability will be zero.

Findings and conclusions

The CSO was invited to verify the estimated default rate for the various guarantee schemes, and to update the Inventory with the new methods used.

Action point 33: The Irish Statistical Authorities will provide information on the methods, data sources, calculations used to estimate Stocks and flows of F.66.

Deadline: September 2022⁵²

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

Introduction and conclusion

The Irish Statistical Authorities clarified that no transactions related to debt assumptions, debt cancellations and debt write-offs took place in period 2017-2021.

The CSO provided a detailed list of foreign claims by debtor country and amount, including the stocks, transactions, and other flows for years 2018-2021. These figures came from the CSO Balance of Payments system.

In the tables provided by the CSO, only one loan appeared every year (to Greece). Eurostat verified the consistency of the recording of this loan, including its repayment, in the EDP Questionnaire Table 8.1, Section Foreign Claims.

⁵² AP 33 closed. A note on the issue was provided on 30 September 2022.

5.3.5 Capital injections in public corporations, dividends, privatisations

Introduction and conclusion

The Irish Statistical Authorities clarified that there are no capital injections to report in national accounts for the period 2017 – 2020.

The CSO provided a list of institutions which distributed a dividend to the Irish Government in the period 2018-2021, including information on the value of the distributed dividends and the associated entrepreneurial income/operating profit.

The Irish Central Bank paid a dividend higher than the recorded profits in each of the years 2018-2021, and the difference between the dividend and the profit was recorded as a withdrawal of equity, representing a super dividend. The equity figure for the financial accounts (on ESA Table 27) and the revenue figure for non-financial accounts (on ESA Table 25) were adjusted accordingly. On this issue see also the discussion on the buyback of FRN, paragraph 5.3.2 of this document.

In the documentation provided, the CSO noted that the Irish Aviation Authority in 2020 paid a dividend higher than recorded profits. The super dividend test was not applied for this entity because of an oversight, and a correction was made in the Q1 2022 returns to Eurostat.

Eurostat verified the correct recording of all this information in EDP Quest Tab 10.1A.

5.3.6 Financial Derivatives

Introduction

The Irish Statistical Authorities provided an updated Table on derivatives (compiled by NTMA) with data for 2021. The table was dated 30/04/2022 and should therefore have been consistent with the information included in the EDP table 3B of April 2022 (for the transactions), and in ESA table 27 (for stocks), which was not the case.

Discussion and methodological analysis

Eurostat welcomed the dedicated table on derivatives (notably filled from 2014 onwards, which permits a proper and very useful observation of derivatives development of the Irish Treasury) and invited the Irish Statistical Authorities to further develop the table, so to ultimately improve the reporting of the derivatives items (and some associated other items) in EDP table 3.

Findings and conclusions

- a) The Irish Statistical Authorities will first ***clarify why the derivative table significantly deviates from the EDP table 3 entries for financial derivatives (data coming also from the NTMA but via the BOP)*** and will examine ways for data flows currently transiting via the BOP to be also received by the EDP compilers.
- b) The Irish Statistical Authorities will ***clarify the link between the derivatives entry in EDP table 2A and the transactions reported in bloc 1 of the table*** (e.g., EUR 200 million outflow according to EDP Table 2A in 2018 and EUR 33 million inflow according to the derivative table). Filling the Bloc 4 can assist in this reconciliation.
- c) Eurostat noted that the blocs 1 and 2 of the derivative table are currently reported on a net basis on the liability side. While noting that derivatives in Ireland were largely net liability positions of government, they invited the Irish Statistical Authorities ***to report each instrument, for their stock and associated transactions, on either the asset side or the liability side depending on whether the instrument was effectively an asset or a liability***. This would imply showing significant currency swaps on the asset side at the

beginning of the period (currency hedge of the IMF debt), while interests rates swaps would tend to show as liabilities.

- d) The Irish Statistical Authorities will ***clarify the sign convention they followed in the table and will ensure a consistent recording, notably verifying that the EUR 244 million entry for 2019 is a positive entry on a net basis*** (corresponding to a net outflow of cash; in this case: a reduction in liabilities), whereas table 3B shows EUR -130 million (thus a net inflow of cash) in that year. Similarly, the EUR 1209 million for 2015 are deemed to correspond to an inflow of cash (or equivalent).
- e) Eurostat took note that the large entry in 2015 (EUR 1209 million) corresponds to the rapid reimbursement of the IMF loans (in SDR that was hedged into Euro), and the resulting effect of the unwinding of the hedging swaps. Eurostat understood that the EUR 1209 million effect largely reflected the anticipated liquidation, at a gain, of the hedging swaps on half of the IMF debt (cash inflow) and asked the ***CSO to verify that the transaction in Maastricht debt in Table 27 was well recorded at the market value (thus including the EUR 1209 million)***. See Action Point 2022/15.
- f) Eurostat recalled that the unwinding of swap entries occurs identically for debt redeemed according to schedule or by anticipation and wondered ***why these unwinding entries seemed much smaller in the subsequent years*** (whereas the other half of the IMF was being repaid in those years, and should have generated significant inflows, in the order of EUR 1 billion).
- g) The Irish Statistical Authorities will ***fill-in bloc 5 with the debts subject to hedging***.
- h) The Irish Statistical Authorities will ***clarify the collateral arrangements existing with counterparts*** and report the collateral received as liabilities separately from collateral given that are to be recorded as assets.

Action point 34: The Irish Statistical Authorities will improve the table on derivatives, following the detailed discussion carried out during the meeting.

Deadline: September 2023

5.3.7 Public Private Partnerships (PPPs), Concessions and Energy Performance Contracts (EPCs)

5.3.7.1 PPPs and Long-Term Leasing

Introduction

Ireland has a number of PPP contracts off the balance sheet of government, most started long before the publication of the 2016 EIB/Eurostat Guide on PPPs ([PPP Guide](#)).

The two most recently discussed PPP projects were related to social housing (Social Housing Bundle 1 and 2), both projects are classified off-balance sheet of general government. In 2021 Eurostat also delivered a formal bilateral advice on two long term leasing contracts for social housing^[1].

^[1]<https://scanner.topsec.com/?d=1940&r=show&u=https%3A%2F%2Fec.europa.eu%2Feurostat%2Fdocument%2F1015035%2F12427511%2FIE%2B%2BBilateral%2BAdvice%2Bon%2BLong%2Bterm%2BLEasing%2Bfor%2BSocial%2Bhousing.pdf%2F11a66e-e578-984b-6e0e309fe752e32b%3Ft%3D1623943369177&t=5f343276223e5a32860b7917c91a821fb044b82b>

In 2021 Eurostat also delivered a formal bilateral advice on two long term leasing contracts for social housing⁵³.

Discussion and methodological analysis

At the moment of the SDV, the CSO was at the early stage in reviewing three new social housing enhanced (long-term) leasing contracts. The local authorities assumed these to be off balance sheet. From the discussion during the meeting, it was not clear in which sense the new contracts were “enhanced” compared to those previously analysed by Eurostat in the published advice. Eurostat will be informed about the results of the CSO review.

The DHLGH noted that the September 2021 social housing Plan of the Irish government was relying mainly on PPP contracts. For social housing, long term leasing contracts will be progressively phased out, and replaced by PPPs. From 2025, social housing built under long term leasing will be only 20% of what will be built under PPP projects. Long term leasing contracts were used in the past because, after the Irish crisis, the local authorities and the building industry were heavily affected, with no social housing built for many years. Long term leasing contracts were very effective to get new social housing in a short-term, overcoming capacity shortages.

Concerning PPPs, the Department of Housing, Local Government & Heritage (DHLGH) informed Eurostat that after the Social Housing Bundle 1 and 2, a new 3rd Bundle is out for tender.

Looking at the Irish reporting related to PPPs, Eurostat remarked that, in the EDP Questionnaire (EDPQ) Table 11.1, among the off-balance PPP projects started after the publication of the PPP Guide, some (n.16, 30 and 31) showed zero “up-to-date investment” (as reported in columns 10-14 of EDPQ Table 11.1), but unitary charge (UC) payments already made (as reported in columns 17-20).

Eurostat underlined that the 2016 PPP Guide, Theme 5, para 5.1, page 64, establishes that: “... *the Partner should not be entitled to receive Operational Payments before the date on which construction of the asset is complete (see Theme 2.3). Therefore, an obligation on the Authority to start making Operational Payments in respect of the asset before the date on which it is complete does influence the statistical treatment and automatically leads to the PPP being ON BALANCE SHEET for government.*”

Eurostat stressed that PPP contracts signed before the release of the PPP Guide should respect the Guide in case of amendments.

Eurostat informed the Irish Statistical Authorities that a Guidance Note addressing some of the issues created by Covid to PPP projects would soon be published on Eurostat website⁵⁴. In this Guidance Note, Covid is assimilated to a natural disaster. Exceptional compensation paid by government to the PPP partners must be proportional to the damages caused by Covid. This note also introduces the possibility to include in the PPP contracts an indexation of construction costs during the construction phase. Such a provision was not considered by the original PPP Guide (which only foresaw indexation of operational fees), because it was written in a period of relatively stable construction costs.

⁵³ <https://ec.europa.eu/eurostat/documents/1015035/12427511/IE+-+Bilateral+advice+on+Long+term+leasing+for+social+housing.pdf/ea11a66e-e578-984b-6e0e-309fe752e32b?t=1623943369177>

⁵⁴ Note published on 20 June 2022

<https://ec.europa.eu/eurostat/documents/1015035/12618762/Clarification+to+the+PPP+Guide+Q%26A.pdf/e928cb53-a0ae-e73f-11de-083bda4b096c?t=1655738471492>

The Irish Statistical Authorities should verify which contractual arrangements justify the recorded unitary charge payments.

The CSO explained that in the March 2022 EDP return, Covid-19 compensation and other settlement payments were erroneously included under UC payments which resulted in UC amounts being reported for PPP projects number 16 and 31 prior to the completion of the construction phase of the project.

The 1st Social Housing Bundle PPP (number 30) correctly shows UC payments in 2020. This is because the project comprises several different housing developments of which approximately 25% were completed in 2020.

Findings and conclusions

Action point 35: The Irish Statistical Authorities will clarify the nature of the UC payments reported for PPPs n.16, 30 and 31, and correct EDPQ Table 11.1, if necessary.

Deadline: March 2023⁵⁵

5.3.7.2 Concessions

Introduction

On 26/11/2021, the CSO had sent to Eurostat its analysis on the debt restructuring of a Toll Road project. The Toll Road project is off the balance sheet of government. Eurostat had some questions on this concession (labelled PPP) contract and received the replies as part of the 2022 SDV documentation.

Discussion and methodological analysis

The CSO explained that this project is considered a concession because payments to the private partner were supposed to come from the tolls paid by the users of the toll-road. However, the project is called a PPP in the original contract. The construction of the toll road started in April 2006 and ended in July 2010.

Due to the toll income being below the initial expectations even before the pandemic, in 2021 the Partner defaulted on its debt service obligations, and therefore was taken over by its creditors, with part of its debt converted to additional equity, and its previous creditors becoming the new shareholders. The new shareholders are private companies, world leaders in private equity, and credit asset management.

After the debt restructuring agreement, the main parameters of the contract remained the same and the only change was that the Majority (100% private) Senior Lenders became the main shareholders of the Partner. The transactions were between the private Partner and the Funders, with no additional costs for government.

The DHLGH informed Eurostat that no new concessions were in the pipeline.

Findings and conclusions

Eurostat agreed with the CSO assessment that the debt restructuring of the Toll Road project had no consequences for the classification of the project. If the only change to the whole project was the fact that the debt was swapped for equity, the project could remain off balance-sheet.

⁵⁵ Closed September 2022

5.3.7.1 EPCs

Introduction

In February 2022, Eurostat published an advice on an EPC for the health sector in Ireland⁵⁶. Eurostat's "on government balance sheet" decision countered the CSO's decision. The review involved extensive consultation among the CSO, the stakeholders and Eurostat and was a learning curve for all stakeholders.

Discussion and methodological analysis

The CSO reported that no new EPC contracts were under review at the moment of the EDP dialogue visit. However, another EPC contract was close to being finalised. Once finalised, the CSO will receive the contract for review. Eurostat's decision of February 2022 informed the drafting of this new EPC contract and is also a reference for the development of other EPCs.

Eurostat noted that, despite the release of the Guide on the statistical treatment of EPCs⁵⁷, these types of contracts were not extensively used in the Member States.

The Irish Statistical Authorities reported about discussions held at the "PPP and Capital Investment Expert Group" on the potential use of EPCs to deliver the green policy agenda in the coming years. The CSO provided template documents to the relevant stakeholders, including the National Development Finance Agency and the Sustainable Energy Authority of Ireland. EPCs are a standing item at the Expert Group meetings and stakeholders are aware of the potential for their off-balance sheet classification.

5.3.8 Emission Trading Permits

Introduction and conclusions

In the documentation provided before the EDP dialogue visit, the CSO described the compilation methods used for permits under the Emission Trading System (ETS).

The CSO receives figures on free allocation and auctioned allocations from the EPA, these figures are used to calculate the stock of free and purchased allocations. The information on cash received from purchased allocations is available from the Department of Communications, Climate Change and Environment (DCCA).⁵⁸

After consultation with Eurostat, in 2020, the CSO started using the moving average of cash from the auctions of previous 3 years, method applied only to the figures starting from 2015 reference period onwards.

For reference years 2012 and 2013, D.29 corresponds to all the cash collected with auctions in 2006-2011.

For reference years 2014 and 2015, D.29 corresponds to the cash from auctions of t-1.

From reference year 2016 onwards, D.29 is the moving average of cash from auction of previous 3 years.

⁵⁶https://ec.europa.eu/eurostat/documents/1015035/14290344/IE+_+Bilateral+advice+on+an+Energy+Performance+Contract.pdf/a7e7b435-8834-d699-5aa0-17d5756d45cc?t=1644235936331

⁵⁷ 8 May 2018,

https://ec.europa.eu/eurostat/documents/1015035/8885635/guide_to_statistical_treatment_of_epcs_en.pdf/f74b474b-8778-41a9-9978-8f4fe8548ab1

5.3.9 Sale and leaseback operations, UMTS, securitisation and pension issues, decommissioning, and court cases

Introduction and conclusions

The Irish Statistical Authorities informed Eurostat that no sale and leaseback, securitisation or privatization operations were taking place or planned in the period under scrutiny.

The production of electricity by nuclear fission is prohibited in the Republic of Ireland by section 18 the Electricity Regulation Act, 1999. Accordingly, there are no nuclear liabilities.

Concerning UMTS, the most recent licence sale was the 400 Mhz Spectrum award in 2019. The Commission for Communications Regulation (ComReg) held an open competitive selection process for the award of spectrum rights of use in the 400 MHz band. There was one winning bidder, ESB Networks DAC, who will pay approximately €1.1m for its spectrum rights of use. This comprises €320,000 in upfront spectrum access fees and circa €780,000 in spectrum usage fees over the 15 years of duration of the licences.

The next spectrum awards are Multi-Band Spectrum Awards (700 MHz Duplex, 2.1 GHz, 2.3 GHz & 2.6 GHz) launched on 16 April 2021. No contract was yet signed.

Eurostat recalls that the proceeds of the competitive selection should be recorded as Rents/D.45, spread over the years of the license.

5.4 Issues relevant for the October 2022 EDP notification

5.4.1 Measures introduced to support households and companies facing large energy price increase

In the documentation provided before the EDP dialogue visit, the CSO listed all the measures the Irish government introduced to alleviate the effects of the high energy prices.

Eurostat recalled that its intention was to launch a survey with the view to build up an overview of the main energy-related government's interventions and rescue operations adopted by Member States. This would allow identifying measures that would require methodological guidance.

6. ANY OTHER BUSINESS

6.1 Issues CSO would like to discuss

6.1.1 Consistency between GFS and other national accounts datasets

Introduction and discussion

The CSO expressed concerns about maintaining consistency between quarterly GFS and the other quarterly national accounts datasets, considering the different reporting deadlines. The issue has become more relevant with the revision of ESA transmission programme where a proposed legislation, which introduces the obligation to explain, in the metadata, the inconsistencies between datasets (recital 15 of revised transmission programme) and introduces the obligation to re-transmit at t+3 months quarterly sector accounts (due at t+85) if differences with ESA table 25 and ESA table 1Q are significant.

Findings and conclusions

Eurostat reiterated its view that consistency between EDP and GFS (as underlying government accounts) is of utmost importance.

6.1.2 Sharing information on court cases related to classification decisions

Introduction and discussion

The CSO would find useful to be informed about the cases of other Member States taken to court because of classification decisions. A document or a presentation shared during the EDPS Working Group could provide useful information on what type of issues have been raised and about lessons learned.

Eurostat occasionally did present a few court cases to the EDPS WG, and this happened when the cases went from the national Courts to the European Court of Justice.

Most Member States do not have court cases, and do not experience legal opposition to statistical classification decisions. A few Member States have many such cases. Classification decisions are more controversial in countries where the list of units belonging to the government sector is used for other wider purposes than pure statistical purposes (it implies, e.g., limits to the salary of staff, limits to tender possibilities, limits to borrowing etc).

Conclusions

Eurostat will consider the possibility to share with the EDPS WG the relevant Court decisions on statistical issues, once they become public.

AGENDA

EDP dialogue visit to Ireland

11 - 13 May 2022

Starting on Wednesday 11 May at 14:00

Ending on Friday 13 May at 11:00

1. Statistical capacity issues

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

1.2. Data sources and revision policy, EDP inventory

1.2.1. Changes in data sources and revision policy, data sources for extra-budgetary entities and consolidation

1.2.2. EDP Inventory

2. Follow-up of the previous EDP dialogue visit of 26-27 February 2019

3. Follow up of the April 2022 EDP notification

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

4.1. COVID Table

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

4.3. Expenditure measures

5. Methodological issues

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

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

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

5.1.3. Sector classification of selected units (e.g., universities)

5.2. Implementation of the accrual principle

5.2.1. Taxes and social contributions

5.2.2. Interests

5.2.3. EU flows

5.3. Recording of specific government transactions

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

5.3.2. Government interventions to support financial institutions

5.3.3. Guarantees

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

5.3.5. Capital injections in public corporations; dividends, privatizations

5.3.6. Financial Derivatives

5.3.7. PPPs, Concessions and Energy Performance Contracts (EPC)

5.3.8. Emission trading permits

5.3.9. Others: sale and leaseback operations, UMTS, securitisation and pension issues, decommissioning costs, court cases

5.4. Issues relevant for the October 2022 EDP Notification

6. Any other business

List of participants

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