



22 July 2013

Decision of Eurostat on government deficit and debt

Supplement on contingent liabilities and potential obligations to the EDP related questionnaire

1. Context

In November 2011, the Enhanced Economic Governance package (the so-called "six pack" composed of five Regulations and one Directive) was adopted by the European Parliament and the Council. Among other statistical implications, this package included some legal requirements which impact the collection/dissemination of fiscal data and statistics, in particular from Council Directive 2011/85/EU¹ of 8 November 2011 on requirements for budgetary frameworks of the Member States.

In order to assist Member States in the practical implementation of the requirements of the Directive relating to the reporting of fiscal data, Eurostat established a Task Force (TF) on the implications of the Directive on the collection and dissemination of fiscal data. The output of the TF consisted of a set of templates and related notes indicating the methodology, the scope of compulsory details, the periodicity and the timeliness for the national publication of such data. The final report of the TF was also presented to the Economic and Financial Committee in January 2013 and received its support.

2. Introduction of a new questionnaire

In December 2012, Eurostat announced its intention to collect and publish a part of the data required by the Directive, i.e. data on contingent liabilities and potential obligations², which are also relevant for assessment of the EDP data. The rationale for Eurostat to collect and publish these data is to achieve comparability of data between Member States and over time, to gradually build up time series extending to all Member States in a comparable format.

As a follow up, a new "Supplement on contingent liabilities and potential obligations to the EDP related questionnaire" (Annex 1) received a positive opinion from CMFB members in

¹ OJ L 306, 23.11.2011, p.41

² Council Directive 2011/85/EU states in article 14 paragraph 3 that: "For all sub-sectors of general government, Member States shall publish relevant information on contingent liabilities with potentially large impacts on public budgets, including government guarantees, non-performing loans, and liabilities stemming from the operation of public corporations, including the extent thereof."

June 2013. The CMFB opinion on the introduction of the new questionnaire is attached at Annex 2.

3. Supplement to the EDP related questionnaire

Eurostat has therefore decided to introduce a new questionnaire (“Supplement on contingent liabilities and potential obligations to the EDP related questionnaire”) to the existing group of EDP related questionnaires, which are legally based on Article 8.2d of Council Regulation 479/2009, as amended.

The new questionnaire includes tables on guarantees, off-balance sheet public private partnerships (PPPs) and non-performing loans. The format of the tables follows that agreed by the TF for the purposes of national publication.

Data transmission

Data for the new questionnaire will be transmitted annually before 31 December (T+12 months) by the national statistical authority, alongside the Questionnaire on government controlled units classified outside general government³. The first transmission will take place in December 2014. The first data transmission in 2014 will cover at least the previous year (2013). The data for 2010-2012 can be reported on a voluntary basis. However, the intention is to gradually build up time series and eventually to cover four past years. In the case of guarantees, data for the previous four years are required on a compulsory basis.

The metadata clarifying the completeness, definitions, use of estimations or timeliness of the data are to be provided to Eurostat alongside the data. Furthermore, Member States are requested to add footnotes which should be published alongside the data.

All indicators will be reported to Eurostat in millions of national currency by individual general government subsectors.

Data publication

Eurostat will publish the data collected by the new questionnaire at T+13 months. Hence, the first data in the context of the Directive (for the year 2013 and previous years where relevant) will be released by Eurostat in January 2015, together with the data on total liabilities of government controlled units classified outside general government.

Eurostat will make sure that appropriate explanatory notes on the published data are available in order to eliminate possible misinterpretation of the published indicators. It will be clearly explained that the data on contingent liabilities and potential obligations should not be directly added to the Maastricht indicators. The explanatory notes will be communicated to Member States before Eurostat publishes them.

All indicators will be published in millions of national currency and in percentages of GDP by individual general government subsector, and for general government as a whole.

³ The questionnaire received a positive opinion from the CMFB in 2011. Data are already collected on annual basis and the first data transmission took place in December 2012.

ANNEX 1

Supplement to the EDP related questionnaire on contingent liabilities and potential obligations

under the provisions of Council Regulation 479/2009, as amended, and the Council Directive 2011/85/EU

Country:

Date of response:

Table 1: Government guarantees
Table 2: Off-balance sheet Public-Private Partnerships (PPPs)
Table 3: Non-performing loans

Notes:

Data are to be consistent with data reported in the EDP related questionnaire

Not applicable: M ; Not available: L

Table 1. Government guarantees

mill MNAC				
Outstanding amount of guarantees	2010	2011	2012	2013
Total General Government				
One-off guarantees				
Total stock of guarantees, excluding debt assumed by government of which: public corporations <i>Memo item: financial corporations</i>				
Standardised guarantees				
Total stock of government guarantees				
Central Government				
One-off guarantees				
Total stock of guarantees, excluding debt assumed by government of which: public corporations <i>Memo item: financial corporations</i>				
Standardised guarantees				
Total stock of government guarantees				
State Government				
One-off guarantees				
Total stock of guarantees, excluding debt assumed by government of which: public corporations <i>Memo item: financial corporations</i>				
Standardised guarantees				
Total stock of government guarantees				
Local Government				
One-off guarantees				
Total stock of guarantees, excluding debt assumed by government of which: public corporations <i>Memo item: financial corporations</i>				
Standardised guarantees				
Total stock of government guarantees				

Comments:

Footnotes to be published with the data:

Notes to the table:

One-off guarantees: A one-off guarantee is defined as individual, and guarantors are not able to make a reliable estimate of the risk of calls. One-off guarantees are linked to debt instruments (e.g. loans, bonds).

Standardised guarantees: Standardised guarantees are guarantees that are issued in large numbers, usually for fairly small amounts, along identical lines. There are three parties involved in these arrangements - the borrower, the lender and the guarantor. Either the borrower or the lender may contract with the guarantor to repay the lender if the borrower defaults. It is not possible to estimate precisely the risk of each loan being in default but it is possible to estimate how many, out of a large number of such loans, will default. Examples are mortgage loan guarantees, student loan guarantees, etc.

Data do not include:

- Government guarantees issued within the guarantee mechanism under the Framework Agreement of the European Financial Stability Facility (EFSF)
- Derivative-type guarantees, that is guarantees that meet the definition of a financial derivative
- Deposit insurance guarantees and comparable schemes
- Government guarantees issued on events which occurrence is very difficult to cover via commercial insurance (earth quakes, large scale flooding, nuclear accidents, certain art exhibitions, etc).

Other notes:

- Data for social security funds are not requested.
- Guarantees provided only to units classified outside general government are to be reported.
- Stocks of guaranteed debt do not include stocks of debt already assumed by government, as recorded in ESA accounts.
- The terminology of the table follows the ESA 2010.

Data are to reported at nominal value.

Table 2. Total outstanding liabilities related to PPPs recorded off-balance sheet of government

	mill MNAC			
	2010*	2011*	2012*	2013
Adjusted capital value of off-balance PPPs				
Total General Government				
<i>By sub-sector:</i>				
Central Government				
State Government				
Local Government				
Social Security Funds				

Comments:

Footnotes to be published with the data:

Notes to the table:

Adjusted capital value: Initial contractual capital value in the contract is progressively reduced over time by the amount of the "economic depreciation" which is calculated on the basis of estimates or actual data. The adjusted capital value reflects the current value of the asset at the time of reporting. The amount is deemed to reflect the GFCF and debt impact in case that government would have to take over the assets during the life of the contract.

Data are to reported at nominal value.

* In 2014, data for 2010-2012 will be reported on voluntary basis. Time series will be gradually built up.

Table 3. Non-performing loans of General Government

mill MNAC

	2010*	2011*	2012*	2013
Stock of non-performing loans provided by government				
Total General Government (consolidated)				
<i>By sub-sector:</i>				
Central Government				
State Government				
Local Government				
Social Security Funds				

Comments:

Footnotes to be published with the data:

Notes to the table:

Non-performing loans (government assets): A loan is non-performing when payments of interest or principal are past due by 90 days or more, or interest payments equal to 90 days or more have been capitalized, refinanced, or delayed by agreement, or payments are less than 90 days overdue, but there are other good reasons (such as a debtor filing for bankruptcy) to doubt that payments will be made in full (ESA 2010, § 7.101).

Other notes:

The terminology of the table follows the ESA 2010.

Data are to reported at nominal value.

* In 2014, data for 2010-2012 are to be reported on voluntary basis. Time series will gradually be built up.

ANNEX 2



CMFB opinion on a supplement on contingent liabilities and other potential obligations to the EDP related questionnaire

1. At Eurostat's request, I as the CMFB Chairman, with the assistance of the CMFB Executive Body, asked CMFB Members on 4 June 2013 to express their opinion on a supplement on contingent liabilities and other potential obligations to the EDP related questionnaire. The deadline for replies was 17 June 2013. Twenty (20) national statistical institutes and twenty-three (23) national central banks from the EU Member States returned the questionnaire within the specified time. A total of forty-five (45) institutions, including the ECB and the Central Bank of Iceland provided their opinion.
2. Based on a very large majority of the replies received, the CMFB agrees with the inclusion of three tables on contingent liabilities and other obligations as an annual supplement (to be reported to Eurostat in December) to the EDP questionnaire. The tables concern: government guarantees (table 1), the total outstanding liabilities related to public private partnerships recorded off-balance sheet of government (table 2) and non-performing loans of general government (table 3). The respondents in general endorsed the relevance of the data to be provided in the tables, as a means of giving a more comprehensive picture of EU governments' financial situations.
3. A few CMFB members expressed concerns about the additional reporting burden and about potential overlaps with data provided in other tables of the questionnaire. One suggestion was not to provide these data in a supplement but to incorporate them in the bi-annual EDP reporting. Finally, doubts were expressed on the compulsory character of the data provision and on the right of the Commission to publish national data.
4. Members noted the importance of the detailed guidance being further elaborated before the first reporting, in particular, regarding the valuation of the different items to be reported.
5. The CMFB recommends that Eurostat proceeds, having regard to the very large majority and takes note of the specific remarks raised. In addition to this opinion; all the anonymised answers from CMFB Members have been transmitted to Eurostat and will be kept in the records of the CMFB secretariat.

(Signed)

Joe Grice
CMFB Chairman
Newport, July 2013